

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2009





Mary Taylor, CPA  
Auditor of State

Board of Education  
Bath Local School District  
2650 Bible Road  
Lima, Ohio 45801

We have reviewed the *Independent Auditor's Report* of the Bath Local School District, Allen County, prepared by E.S. Evans and Company, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 5, 2010

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BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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

**Certified Public Accountants**

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075  
P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • www.esevens.com

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E.S. Evans, CPA, PFS (1930-1999) • Robert E. Wendel, CPA • Dan F. Clifford, CPA, CVA  
Steven D. Hooker, CPA • John E. Klay, CPA

December 1, 2009

## INDEPENDENT AUDITOR'S REPORT

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

Auditor of State of Ohio  
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bath Local School District, Allen County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the 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 basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Bath Local School District, Allen County, Ohio, as of June 30, 2009, and the respective changes in modified cash basis financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, we have also issued a report dated December 1, 2009 on our consideration of Bath Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 and should be read in conjunction with this report in considering the results of our audit.

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

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

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



BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

The discussion and analysis of Bath Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. 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 2009 are as follows:

In total, net assets increased \$1,141,546, or 9 percent, indicating a significant change from the prior fiscal year. General receipts accounted for \$16,526,601, or 89 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 will be 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.

In FY 2005, personal property tax generated 41% of Bath's tax cash receipts and 25% of total general fund cash receipts. That portion of our valuation is now gone and future levies will be based on a much lower tax base. As the "hold-harmless" reimbursements from the state are phased out, the tax burden will shift to real estate property. It is important to understand that for the next five years, the reimbursements basically keep Bath whole. However, as the reimbursements go away, our financial condition will deteriorate. The Board must continue to exercise fiscal caution in the current economic climate.

FY 2009 is the sixth 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.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2009 on the modified cash basis of accounting.

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

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

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

Reporting the School District's Most Significant Funds

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

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

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal years 2009 and 2008 on the modified cash basis of accounting. A comparative analysis is provided for government-wide financial statements using the modified cash basis of accounting.

Table 1  
Net Assets

	Governmental Activities	
	2009	2008
<u>Assets:</u>		
Cash and Cash Equivalents	\$ 1,880,030	\$ 2,724,691
Investments	12,464,888	10,478,681
Total Assets	<u>\$ 14,344,918</u>	<u>\$ 13,203,372</u>
<u>Net Assets:</u>		
Restricted	\$ 2,317,555	\$ 2,515,123
Unrestricted	12,027,363	10,688,249
Total Net Assets	<u>\$ 14,344,918</u>	<u>\$ 13,203,372</u>

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

Table 2 reflects the changes in net assets for fiscal years 2009 and 2008. A comparative analysis of government-wide data is presented using the modified cash basis of accounting.

Table 2 -Change in Net Assets

<u>Receipts:</u>	Governmental Activities	
	2009	2008
Program Receipts:		
Charges for Services and Sales	\$ 936,619	\$ 1,014,433
Operating Grants, Contributions, and Interest	999,185	1,053,597
Capital Grants and Contributions	37,138	43,704
Total Program Receipts	<u>1,972,942</u>	<u>2,111,734</u>
General Receipts:		
Property Taxes Levied for General Purposes	7,310,159	7,453,345
Property Taxes Levied for Permanent Improvements	611,018	650,154
Grants and Entitlements	8,070,401	7,573,472
Interest	347,246	583,849
Miscellaneous	187,777	226,597
Total General Receipts	<u>16,526,601</u>	<u>16,487,417</u>
Total Receipts	<u>18,499,543</u>	<u>18,599,151</u>
Disbursements:		
Instruction:		
Regular	7,051,453	7,012,127
Special	1,004,445	1,017,428
Vocational	1,156	(339)
Other	994,844	960,025
Support Services:		
Pupils	971,856	934,380
Instructional Staff	372,011	348,768
Board of Education	82,598	102,655
Administration	1,191,702	1,131,170
Fiscal	569,481	517,562
Business	-	203
Operations and Maintenance of Plants	2,381,081	1,827,726
Pupil Transportation	942,735	932,336
Central	156,059	140,965
Non-Instructional Services	856,474	824,770
Extracurricular Activities	728,238	806,526
Capital Outlay	19,514	91,819
Debt Service:		
Principal Retirement	21,268	10,137
Interest and Fiscal Charges	17,791	9,433
Total Disbursements	<u>17,362,706</u>	<u>16,667,691</u>
Excess Receipts before Transfers	1,136,837	1,931,460
Transfers	4,709	-
Increase in Net Assets	<u>\$ 1,141,546</u>	<u>\$ 1,931,460</u>

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

Program receipts account for over 10 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 52 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for over 13 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant portion of cash disbursements, 14 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.

Table 3  
Governmental Activities

	Total Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2009	Net Cost of Services 2008
Instruction:				
Regular	\$ 7,051,453	\$ 7,012,127	\$ 6,733,638	\$ 6,632,643
Special	1,004,445	1,017,428	467,452	398,039
Vocational	1,156	(339)	1,156	(339)
Other	994,844	960,025	994,844	960,025
Support Services:				
Pupils	971,856	934,380	971,856	934,380
Instructional Staff	372,011	348,768	372,011	348,768
Board of Education	82,598	102,655	82,598	102,655
Administration	1,191,702	1,131,170	1,186,193	1,124,617
Fiscal	569,481	517,562	569,481	517,562
Business	-	203	-	203
Operation and Maintenance of Plant	2,381,081	1,827,726	2,381,081	1,827,726
Pupil Transportation	942,735	932,336	915,845	908,326
Central	156,059	140,965	153,629	138,535
Non-Instructional Services	856,474	824,770	(11,972)	(50,149)
Extracurricular Activities	728,238	806,526	513,379	601,577
Capital Outlay	19,514	91,819	19,514	91,819
Debt Service	39,059	19,570	39,059	19,570
Total Disbursements	<u>\$ 17,362,706</u>	<u>\$ 16,667,691</u>	<u>\$ 15,389,764</u>	<u>\$ 14,555,957</u>

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 90 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 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 88 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 \$18,562,814 and disbursements of \$17,421,269. The positive change of \$1,141,545 in fund balance for the year indicates that the School District was able to meet current costs.

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, the School District amended its General Fund budget as needed. Final budgeted receipts, in the amount of \$15,570,073, were below actual receipts of \$15,576,723. The \$6,650 difference is generally insignificant.

Final disbursements were budgeted at \$14,758,291 while actual disbursements were \$14,175,647. 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.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

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 at the end of the fiscal year, a sewer improvement loan with a balance of \$318,737. For further information regarding the School District's debt see Note 10 to the basic financial statements.

Current Issues

Due to the change to an Evidenced Based Model of funding, Bath Local School may have to add staff in order to meet H.B. 1 requirements. Also, the Board of Education has begun the process to replace the 1936 elementary building.

Contacting the School District's Financial Management

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

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BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,017,821
Restricted Cash and Cash Equivalents	862,209
Investments	12,464,888
Total Assets	<u><u>14,344,918</u></u>
<u>Net Assets:</u>	
Restricted For:	
Set Asides	848,071
Debt Service	3,418
Capital Projects	998,070
Other Purposes	342,373
School Bus Purchases	14,138
Library Materials:	
Expendable	11,485
Nonexpendable	100,000
Unrestricted	12,027,363
Total Net Assets	<u><u>\$ 14,344,918</u></u>

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2009

	Cash	Program Receipts		
		Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest
<u>Governmental Activities:</u>				
Instructions:				
Regular	\$ 7,051,453	\$ 192,829	\$ 124,986	\$ -
Special	1,004,445	9,453	527,540	-
Vocational	1,156	-	-	-
Other	994,844	-	-	-
Support Services:				
Pupils	971,856	-	-	-
Instructional Staff	372,011	-	-	-
Board of Education	82,598	-	-	-
Administration	1,191,702	-	5,509	-
Fiscal	569,481	-	-	-
Business	-	-	-	-
Operation and Maintenance of Plant	2,381,081	-	-	-
Pupil Transportation	942,735	-	12,752	14,138
Central	156,059	-	2,430	-
Non-Instructional Services	856,474	542,478	325,968	-
Extracurricular Activities	728,238	191,859	-	23,000
Capital Outlay	19,514	-	-	-
Debt Service:				
Principal Retirement	21,268	-	-	-
Interest and Fiscal Charges	17,791	-	-	-
Total Governmental Activities	\$ 17,362,706	\$ 936,619	\$ 999,185	\$ 37,138

General Receipts:

Property Taxes Levied for General Purposes  
Property Taxes Levied for Permanent Improvements  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Miscellaneous  
Total General Receipts  
  
Transfers  
Total General Receipts and Transfers  
  
Change in Net Assets  
Net Assets Beginning of Year  
Net Assets End of Year

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

and Change in Net Assets

Governmental  
Activities

\$	(6,733,638)
	(467,452)
	(1,156)
	(994,844)
	(971,856)
	(372,011)
	(82,598)
	(1,186,193)
	(569,481)
	-
	(2,381,081)
	(915,845)
	(153,629)
	11,972
	(513,379)
	(19,514)
	(21,268)
	(17,791)
	<u>(15,389,764)</u>
	7,310,159
	611,018
	8,070,401
	347,246
	187,777
	<u>16,526,601</u>
	4,709
	<u>16,531,310</u>
	1,141,546
	13,203,372
\$	<u>14,344,918</u>

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS

June 30, 2009

	General	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents \$	744,790	\$ 130,806	\$ 142,225	\$ 1,017,821
Restricted Cash and Cash Equivalents	862,209	-	-	862,209
Investments	10,654,654	867,264	942,970	12,464,888
Total Assets	12,261,653	998,070	1,085,195	14,344,918
 <u>Fund Balances:</u>				
Reserved:				
Textbooks	800,929	-	-	800,929
Budget Stabilization	47,142	-	-	47,142
Encumbrances	211,633	456,919	42,468	711,020
Bus Purchases	14,138	-	-	14,138
Unreserved:				
Designated for Budget Stabilization	888,000	-	-	888,000
Undesignated, Reported in:				
General Fund	10,299,811	-	-	10,299,811
Special Revenue Funds	-	-	927,824	927,824
Debt Service Fund	-	-	3,418	3,418
Capital Projects Funds	-	541,151	-	541,151
Permanent Fund	-	-	111,485	111,485
Total Fund Balances	\$ 12,261,653	\$ 998,070	\$ 1,085,195	\$ 14,344,918

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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

For the Year Ended June 30, 2009

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Receipts:</u>				
Property Taxes	\$ 7,310,159	\$ 611,018	\$ -	\$ 7,921,177
Intergovernmental	6,858,089	282,488	995,255	8,135,832
Interest	312,790	20,913	15,783	349,486
Tuition and Fees	1,071,603	-	84,848	1,156,451
Extracurricular Activities	-	-	190,450	190,450
Charges for Services	-	-	542,478	542,478
Rentals	1,040	-	-	1,040
Miscellaneous	21,919	35,079	140,553	197,551
Total Receipts	<u>15,575,600</u>	<u>949,498</u>	<u>1,969,367</u>	<u>18,494,465</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,627,147	210,593	213,297	7,051,037
Special	727,368	-	277,076	1,004,444
Vocational	1,156	-	-	1,156
Other	989,451	-	893	990,344
Support Services				
Pupils	903,438	-	68,418	971,856
Instructional Staff	220,731	-	151,281	372,012
Board of Education	82,598	-	-	82,598
Administration	1,081,798	-	109,904	1,191,702
Fiscal	551,114	16,989	1,378	569,481
Business	-	-	-	-
Operation and Maintenance of Plant	1,582,419	750,603	9,000	2,342,022
Pupil Transportation	785,735	157,000	-	942,735
Central	151,276	-	4,783	156,059
Non-Instructional Services				
Extracurricular Activities	373,794	46,619	307,825	728,238
Capital Outlay	-	19,514	-	19,514
Debt Service:				
Principal Retirement	21,268	21,268	-	42,536
Interest and Fiscal Charges	17,791	17,791	-	35,582
Total Disbursements	<u>14,117,084</u>	<u>1,240,377</u>	<u>2,004,913</u>	<u>17,362,374</u>
Excess of Receipts Over (Under) Disbursements	<u>1,458,516</u>	<u>(290,879)</u>	<u>(35,546)</u>	<u>1,132,091</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	1,123	-	3,954	5,077
Refund of Prior Year Receipts	-	-	(332)	(332)
Advances In	136,447	-	135,100	271,547
Advances Out	(135,400)	-	(136,147)	(271,547)
Transfers In	-	-	63,272	63,272
Transfers Out	(58,563)	-	-	(58,563)
Total Other Financing Sources (Uses)	<u>(56,393)</u>	<u>-</u>	<u>65,847</u>	<u>9,454</u>
Net Change in Fund Balances	1,402,123	(290,879)	30,301	1,141,545
Fund Balances Beginning of Year	10,859,530	1,288,949	1,054,894	13,203,373
Fund Balances End of Year	<u>\$ 12,261,653</u>	<u>\$ 998,070</u>	<u>\$ 1,085,195</u>	<u>\$ 14,344,918</u>

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL COMPARISON - BUDGET BASIS

GENERAL FUND

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$ 6,784,600	\$ 7,309,000	\$ 7,310,159	\$ 1,159
Intergovernmental	6,945,690	6,857,173	6,858,089	916
Interest	455,000	310,000	312,790	2,790
Tuition and Fees	1,020,000	1,057,400	1,058,783	1,383
Miscellaneous	74,000	35,400	35,779	379
Total Receipts	<u>15,279,290</u>	<u>15,568,973</u>	<u>15,575,600</u>	<u>6,627</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	7,102,748	6,921,748	6,627,147	294,601
Special	695,000	727,900	727,368	532
Vocational	-	2,800	1,156	1,644
Other	1,120,000	1,119,100	989,451	129,649
Support Services:				
Pupils	897,800	932,400	903,438	28,962
Instructional Staff	228,700	233,900	220,731	13,169
Board of Education	95,500	104,000	82,598	21,402
Administration	1,069,000	1,116,000	1,081,798	34,202
Fiscal	521,800	555,200	551,114	4,086
Business	-	-	-	-
Operation and Maintenance of Plant	1,583,750	1,590,350	1,621,478	(31,128)
Pupil Transportation	822,500	861,893	785,735	76,158
Central	143,700	151,500	151,276	224
Extracurricular Activities	344,000	376,500	373,794	2,706
Total Disbursements	<u>14,624,498</u>	<u>14,693,291</u>	<u>14,117,084</u>	<u>576,207</u>
Excess of Receipts Under Disbursements	<u>654,792</u>	<u>875,682</u>	<u>1,458,516</u>	<u>582,834</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	-	1,100	1,123	23
Refund of Prior Year Receipts	(5,000)	(5,000)	-	5,000
Advances In	-	-	136,447	136,447
Advances Out	-	-	(135,400)	(135,400)
Transfers In	-	-	-	-
Transfers Out	(60,000)	(60,000)	(58,563)	1,437
Total Other Financing Sources (Uses)	<u>(65,000)</u>	<u>(63,900)</u>	<u>(56,393)</u>	<u>7,507</u>
Net Change in Fund Balance	589,792	811,782	1,402,123	590,341
Fund Balance at Beginning of Year	10,555,222	10,555,222	10,555,222	-
Prior Year Encumbrances Appropriated	304,308	304,308	304,308	-
Fund Balance at End of Year	<u>\$ 11,449,322</u>	<u>\$ 11,671,311</u>	<u>\$ 12,261,653</u>	<u>\$ 590,341</u>

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ <u>19,399</u>	\$ <u>5,604</u>
<u>Net Assets:</u>		
Unrestricted	\$ <u>19,399</u>	\$ <u>5,604</u>

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS

For the Year Ended June 30, 2009

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Interest	\$ 370
Gifts and Donations	1,627
Total Additions	<u>1,997</u>
<u>Deductions:</u>	
Scholarships	<u>3,500</u>
Change in Net Assets	(1,503)
Net Assets at Beginning of Year	<u>20,902</u>
Net Assets at End of Year	<u>\$ 19,399</u>

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



BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1936. The School District serves an area of approximately forty-four square miles and is located in Allen County. The School District is the 279th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by sixty-nine classified employees, one hundred and seven certified teaching personnel, and eleven administrative employees who provide services to 1,951 students and other community members. The School District currently operates an elementary school, a middle school, and a high school.

Reporting Entity

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

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

The School District participates in five jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative; the Apollo Joint Vocational School; the West Central Ohio Special Education Regional Resource Center; the Local Professional Development Committee Consortium – Spencerville, Perry, and Bath Local Schools; the Northwestern Ohio Educational Research Council, Inc.; the Ohio School Plan; the Allen County Schools Health Benefits Plan; and the Sheakley Worker's Compensation Group Rating Program. These organizations are presented in Notes 12 and 13 to the basic financial statements.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 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.

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.

Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct 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.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

Fund Financial Statements

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

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

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.

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

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

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.

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

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 2009, investments were limited to federal bonds, STAR Ohio and certificates of deposit through the CDARS program. Federal bonds are reported at cost. 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, 2009. 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 2009 was \$312,790.

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.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

Property, Plant and Equipment

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

Compensated-Absences

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

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.

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.

Extraordinary and Special Items

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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

Net Assets

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

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

Fund Balance Reserves

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

Note 3 - Compliance

Ohio Administrative Code, Section 117-2-03(B), required the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a modified-cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while presumably material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 4 - Deposits and Investments

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

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

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

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

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

Interim monies may be deposited or invested in the following securities:

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



BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 4 - Deposits and Investments - (continued)

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".

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 \$1,840,709 and the bank balance was \$1,999,326. Of the bank balance, \$750,000 was covered by federal depository insurance and \$1,249,326 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.

Investments

	Value of 6-30-09	% of Total Investment	0-1 Year	1-5 Years
Fed Farm Credit Bank Bonds	\$ 821,752	6.59%	\$ 253,838	\$ 567,914
Fed Home Loan Mtg Bonds	942,778	7.56%	-	942,778
Fed Home Loan Bank Bonds	3,754,848	30.12%	2,983,627	771,222
Fed National Mtg Bonds	1,210,215	9.71%	249,955	960,259
US Treasury Note	516,305	4.14%	516,305	-
STAR Ohio	1,205,866	9.68%	1,205,866	-
CDARS	4,013,124	32.20%	4,013,124	-
Totals	<u>\$ 12,464,888</u>	<u>100.00%</u>	<u>\$ 9,222,715</u>	<u>\$ 3,242,173</u>

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 4 - Deposits and Investments - (continued)

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."

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, 2009, 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. 68% of the District's investments are in Federal Bonds and Star Ohio. These investments are 58% and 10%, respectively of the District's total investments for the amounts listed above.

Note 5 - Property Taxes

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 5 - Property Taxes - (continued)

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 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2009 taxes were collected are:

	Collections	
	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 149,025,800	66.15 %
Industrial/Commercial	57,692,280	25.61
Utility Real	252,110	0.11
Utility Personal	<u>18,304,650</u>	<u>8.13</u>
Total Assessed Value	<u>\$ 225,274,840</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$ 33.15	

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 6 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District contracted for the following insurance coverage:

Coverage provided by Ohio School Plan is as follows:

Buildings and Contents - replacement cost (\$2,500 deductible)	\$	41,932,398
Employee Theft - per Loss		50,000
Liability	\$	2,000,000
Uninsured Motorists		1,000,000
Underinsured Motorists		1,000,000
General School District Liability		
Per Occurrence	\$	2,000,000
Aggregate		4,000,000
Employers Liability		2,000,000
Employee Benefits Liability		
Each Occurrence	\$	2,000,000
Aggregate		4,000,000

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

For fiscal year 2009, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 7 - Defined Benefit Pension Plans

State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad St., Columbus, OH 43215-3771 or by calling 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. 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, 2009, 2008, and 2007 was \$932,412, \$903,600, and \$901,344 respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 7 - Defined Benefit Pension Plans

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.

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 2008, 9.16 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. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$310,536, \$298,284, and \$284,748, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

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, 2009, some of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 8 – Postemployment Benefits

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](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$66,601.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 8 – Post-employment Benefits - (continued)

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 up to a statutory limit. 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.

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 2008 (latest information available), 4.18 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 \$35,800.

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 Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008 (latest information available), this actuarially required allocation was 0.66 percent of covered payroll.

Note 9 - Other Employee Benefits

Compensated Absences

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

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

Health Care Benefits

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 10- Debt Obligations

At June 30, 2009, the School District had one 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.

Principal Outstanding 6/30/2008	Additions	Deductions	Principal Outstanding 6/30/2009
\$ <u>350,142</u>	\$ <u>-</u>	\$ <u>(31,405)</u>	\$ <u>318,737</u>

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2009, were as follows:

Fiscal Year Ending	<u>Sewer Improvements Project Loan</u>		Total Due
	Principal	Interest	
2010	\$ 22,376	\$ 16,647	\$ 39,023
2011	23,484	15,489	38,973
2012	24,682	14,272	38,954
2013	25,947	12,994	38,941
2014	27,236	11,650	38,886
2015-2019	158,374	35,599	193,973
2020	<u>36,638</u>	<u>2,037</u>	<u>38,675</u>
Totals	\$ <u>318,737</u>	\$ <u>108,688</u>	\$ <u>427,425</u>



BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 11 - 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, 2009, 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 2009.

	<u>Textbooks</u>		<u>Capital Improvements</u>		<u>Budget Stabilization</u>
Carryover Balance June 30, 2008	\$ 727,836	\$	-	\$	47,142
Required Set-Aside	298,480		298,480		-
Qualifying Expenditures	<u>(225,387)</u>		<u>(895,151)</u>		<u>-</u>
Total	<u>\$ 800,929</u>	\$	<u>(596,671)</u>	\$	<u>47,142</u>
 Balance Carried Forward to Subsequent Year	 <u>\$ 800,929</u>	 \$	 <u>-</u>		

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 12 - Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2009, the School District paid \$14,400 to NOACSC for various services. Financial information can be obtained from Ray Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

Apollo Joint Vocational School

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

West Central Ohio Special Education Regional Resource Center

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

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

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

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.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 12- Jointly Governed Organizations - (continued)

Northwestern Ohio Educational Research Council, Inc.

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

Note 13- Insurance Pools

Ohio School Plan

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

Allen County Schools Health Benefits Plan

The School District participates in the Allen County Schools Health Benefits Plan (Plan), a public entity shared risk pool consisting of the school districts within Allen County and the Allen County Educational Service Center. The Plan is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides medical and dental benefits to the employees of the participants. Each participant's superintendent is appointed to a Board of Directors which advises the Trustee, Allen County Educational Service Center, concerning aspects of the administration of the Plan.

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 13 - Insurance Pools - (continued)

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.

Note 14 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

Litigation

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

Note 15 – Subsequent Events

The District entered into a contract with Brewer-Garrett for a HB 264 – energy conservation project through the Ohio Facilities School Commission. The District is issuing approximately \$650,000 in School Energy Conservation Improvement Bonds for this project which will take place in Fiscal Year 2010. The savings from the energy cost improvements will pay for the bonds.

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BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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SCHEDULE OF FEDERAL AWARDS EXPENDITURES - CASH BASIS

For the Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/ <u>Program Titles</u>	Pass Through Entity <u>Number</u>	Federal CFDA <u>Number</u>
<u>U.S. Department of Education</u>		
(Passed-Through Ohio Department of Education)		
Special Education Grants, IDEA - Part B	045765-6BSF-2008 045765-6BSF-2009	84.027 84.027
Education Consolidation and Improvement Act of 1981	045765-C1S1-2008 045765-C1S1-2009	84.010 84.010
Drug Free School Grant	045765-DRS1-2008 045765-DRS1-2009	84.186 84.186
Innovative Education Program Strategy	045765-C2S1-2008 045765-C2S1-2009	84.298 84.298
Education Technology State Grants	045675-TJS1-2009	84.318
Improving Teacher Quality State Grants	045675-TRS1-2008 045675-TRS1-2009	84.367 84.367
Total U.S. Department of Education		
<u>U.S. Department of Agriculture</u>		
(Passed-Through Ohio Department of Education)		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution):		
National School Breakfast Program		10.553
National School Lunch Program		10.555
Non-Cash Assistance Subtotal		
Cash Assistance:		
National School Breakfast Program		10.553
National School Lunch Program		10.555
Cash Assistance Subtotal		
Total U. S. Department of Agriculture		
Total Federal Financial Assistance		

**Note A - Significant Accounting Policies**

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

**Note B - Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2009, the District had \$10,958 of food commodities in inventory.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$ -	\$ -	\$ 14,538	\$ -
338,798	-	332,627	-
<u>338,798</u>	<u>-</u>	<u>347,165</u>	<u>-</u>
5,320	-	4,274	-
183,422	-	176,056	-
<u>188,742</u>	<u>-</u>	<u>180,330</u>	<u>-</u>
-	-	178	-
4,941	-	4,759	-
<u>4,941</u>	<u>-</u>	<u>4,937</u>	<u>-</u>
-	-	332	-
3,150	-	2,828	-
<u>3,150</u>	<u>-</u>	<u>3,160</u>	<u>-</u>
1,994	-	1,994	-
<u>1,994</u>	<u>-</u>	<u>1,994</u>	<u>-</u>
23,946	-	29,034	-
76,818	-	71,259	-
<u>100,764</u>	<u>-</u>	<u>100,293</u>	<u>-</u>
<u>638,389</u>	<u>-</u>	<u>637,879</u>	<u>-</u>
-	1,527	-	1,527
-	127,781	-	126,988
<u>-</u>	<u>129,308</u>	<u>-</u>	<u>128,515</u>
43,769	-	43,769	-
275,004	-	275,004	-
<u>318,773</u>	<u>-</u>	<u>318,773</u>	<u>-</u>
<u>318,773</u>	<u>129,308</u>	<u>318,773</u>	<u>128,515</u>
\$ <u>957,162</u>	\$ <u>129,308</u>	\$ <u>956,652</u>	\$ <u>128,515</u>

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

**Certified Public Accountants**

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075  
P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • www.esevens.com

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E.S. Evans, CPA, PFS (1930-1999) • Robert E. Wendel, CPA • Dan F. Clifford, CPA, CVA  
Steven D. Hooker, CPA • John E. Klay, CPA

December 1, 2009

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

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

Auditor of State of Ohio  
Columbus, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bath Local School District, Allen County, Ohio, (the School District) as of and for the fiscal year ended June 30, 2009, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 1, 2009, wherein we noted the School District uses 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 Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Bath Local School District's internal control.

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

### Compliance and Other Matters

As part of 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 another matter that we must report under Government Auditing Standards which is described in the accompanying schedule of findings as item 2009-8120-001.

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 the audit committee, management, the Board of Education, the Auditor of State of Ohio, and federal awarding agencies and pass-through agencies. It is not intended for anyone other than these specified parties.





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

**Certified Public Accountants**

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075  
P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • www.esevens.com

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E.S. Evans, CPA, PFS (1930-1999) • Robert E. Wendel, CPA • Dan F. Clifford, CPA, CVA  
Steven D. Hooker, CPA • John E. Klay, CPA

December 1, 2009

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

Board of Education  
Bath Local School District  
Allen County, Ohio

and

Auditor of State of Ohio  
Columbus, Ohio

Compliance

We have audited the compliance of Bath Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Bath Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bath Local School District's management. Our responsibility is to express an opinion on Bath Local School District's compliance based on our audit.

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

In our opinion, Bath Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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



BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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

June 30, 2009

A. Summary of Auditor's Results

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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

June 30, 2009

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

Finding Number 2009-8120-001

**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 prepares its financial statements in accordance with cash-basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements omit assets, liabilities, fund equities, and disclosure that, while presumably material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

**SCHOOL DISTRICT 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.

C. Findings and Questioned Costs for Federal Awards

None

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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

June 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-8120-001	ORC 117.38 and OAC 117-2-03(B) - District filed cash basis financial statements.	NO	Reissued as Finding 2009-8120-001

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

**Certified Public Accountants**

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075  
P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • www.esevens.com

E.S. Evans, CPA, PFS (1930-1999) • Robert E. Wendel, CPA • Dan F. Clifford, CPA, CVA  
Steven D. Hooker, CPA • John E. Klay, CPA

December 1, 2009

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

Auditor of State of Ohio  
Columbus, Ohio

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on January 20, 2004.
2. We read the policy, noting it included the following requirements from Ohio rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (6) A procedure for documenting any prohibited incident that is reported;
  - (7) A procedure for responding to and investigating any reported incident;

- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 State. 571, 20 U.S.C. 1232q, as amended.

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

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

A handwritten signature in red ink, appearing to read "E. J. ... and ...". The signature is written in a cursive style.



Mary Taylor, CPA  
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  
FEBRUARY 18, 2010**