



Dave Yost • Auditor of State

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bath Local School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bath Local School District, Allen County, Ohio, as of June 30, 2014 and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 8, 2014

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**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The discussion and analysis of Bath Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- In total, the net position of the School District declined \$9,366,772 primarily due to using bond revenue in construction of a new elementary building. General receipts accounted for \$17,551,172, or 89 percent of all receipts, and reflects the School District's significant dependence on property taxes and unrestricted state entitlements.
- The General Fund, the School District's largest major governmental fund, had \$15,161,178 in receipts and other financing sources and \$14,936,941 in disbursements and other financing uses. The General Fund's balance increased \$224,237 from the prior fiscal year.
- FY 2014 is the eleventh 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 the School District as a financial whole, or as an entire operating entity.

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

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014 on the modified cash basis of accounting.

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

In the statement of net position 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 Building Construction Fund.

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal years 2014 and 2013 on the modified cash basis of accounting. A comparative analysis is provided for government-wide financial statements using the modified cash basis of accounting.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

**Table 1
Net Position**

	Governmental Activities	
	2014	2013
Assets:		
Cash and Cash Equivalents	\$12,871,583	\$2,001,043
Investments	13,638,180	33,875,492
Total Assets	26,509,763	35,876,535
Net Position:		
Restricted	15,870,609	25,466,594
Unrestricted	10,639,154	10,409,941
Total Net Position	26,509,763	35,876,535

Table 2 reflects the changes in net position for fiscal years 2014 and 2013. A comparative analysis of government-wide data is presented using the modified cash basis of accounting.

**Table 2
Changes in Net Position**

	Governmental Activities	
	2014	2013
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$743,553	\$755,868
Operating Grants, Contributions, and Interest	1,400,901	1,378,489
Total Program Receipts	2,144,454	2,134,357
General Receipts:		
Property Taxes Levied for General Purposes	6,473,906	6,228,746
Property Taxes Levied for Permanent Improvements	526,948	497,411
Property Taxes Levied for Debt Retirement	1,627,243	817,964
Grants and Entitlements	8,762,951	8,125,059
Proceeds from Sale of Bonds		25,100,000
Premium on Sale of Bonds		2,704
Capitalized Interest on Sale of Bonds		137,234
Interest	13,825	81,258
Miscellaneous	146,299	100,624
Total General Receipts	17,551,172	41,091,000
Total Receipts	19,695,626	43,225,357
Disbursements:		
Instruction:		
Regular	7,008,020	7,647,780
Special	1,943,624	1,833,609
Other	1,097,217	1,052,846

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

**Table 2
Changes in Net Position
(Continued)**

	Governmental Activities	
	2014	2013
Support Services:		
Pupils	887,487	779,057
Instructional Staff	341,443	385,714
Board of Education	77,862	69,087
Administration	1,234,440	1,435,858
Fiscal	568,869	568,903
Operations and Maintenance of Plants	1,815,500	1,663,179
Pupil Transportation	857,944	955,057
Central	30,010	142,855
Non-Instructional Services	850,606	926,794
Extracurricular Activities	715,864	864,628
Capital Outlay	10,209,621	1,393,202
Debt Service:		
Principal Retirement	482,236	25,165,948
Interest and Fiscal Charges	941,655	897,490
Total Disbursements	<u>29,062,398</u>	<u>45,782,007</u>
Excess/(Shortage) of Receipts before Transfers	(9,366,772)	(2,556,650)
Transfers		(1,500)
Change in Net Position	<u>(\$9,366,772)</u>	<u>(\$2,558,150)</u>

Program receipts account for only 11 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 35 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for over 7 percent of governmental disbursements. For fiscal year 2014, capital outlay represented a significant portion of cash disbursements, 35 percent due to the continuing construction costs of a new elementary building.

Governmental Activities

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2014	Net Cost of Services 2013
Instruction:				
Regular	\$7,008,020	\$7,647,780	\$6,812,627	\$7,418,465
Special	1,943,624	1,833,609	1,098,864	1,034,084
Other	1,097,217	1,052,846	1,097,217	1,052,846
Support Services:				
Pupils	887,487	779,057	887,487	779,057
Instructional Staff	341,443	385,714	341,443	385,714
Board of Education	77,862	69,087	77,862	69,087
Administration	1,234,440	1,435,858	1,234,440	1,435,858
Fiscal	568,869	568,903	568,869	568,903
Operation and Maintenance of Plant	1,815,500	1,663,179	1,815,500	1,663,179
Pupil Transportation	857,944	955,057	845,944	938,057
Central	30,010	142,855	30,010	142,855
Non-Instructional Services	850,606	926,794	107,816	124,712
Extracurricular Activities	715,864	864,628	467,522	627,429
Capital Outlay	10,209,621	1,393,202	10,108,452	1,343,966
Debt Service	1,423,891	26,063,438	1,423,891	26,063,438
Total Disbursements	<u>\$29,062,398</u>	<u>\$45,782,007</u>	<u>\$26,917,944</u>	<u>\$43,647,650</u>

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 89 percent of instruction activities are supported through taxes and other general receipts. Operation of food services was 87 percent 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-five 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 93 percent. It is apparent that the community, as a whole, is the primary support for the School District students.

The School District's Funds

Total governmental funds had cash receipts of \$19,722,870 and disbursements of \$29,089,642, including other financing sources and uses. The negative change of \$(9,366,772) in fund balance for the year reflects that the School District was not able to meet current costs without utilizing carryover funds.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its General Fund budget as needed. Final budgeted receipts, including other financing sources, in the amount of \$15,152,522, were below actual receipts, including other financing sources, of \$15,161,178. The \$8,656 difference is relatively insignificant.

Final disbursements, including other financing disbursements, were budgeted at \$15,823,630 while actual disbursements, including other financing disbursements, were \$15,122,468. The School District was able to restrict spending below what was anticipated. The \$701,162 difference is mainly attributable to controlling expenses due to financial constraints. The School District appropriates conservatively in order to cover disbursements.

Capital Assets and Debt Administration

Capital Assets

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

Debt

The School District had one loan outstanding, a limited tax general obligation energy conservation bond, and a series 2012 school improvement bond issuance at the end of the fiscal year. Principal balance owed on the sewer improvement loan at June 30, 2014 was \$195,012, principal balance on the general obligation energy conservation bonds was \$475,000, and principal balance on the school improvement bond issuance was \$24,685,000. For further information regarding the School District's debt see Note 10 to the basic financial statements.

Current Issues

On March 6, 2012 the Bath Community passed a \$25.1 million bond issue to build a new K-5 Elementary Building. The project is an Expedited Local Partnership Program through the Ohio School Facilities Commission. Construction began in April 2013, and is progressing on schedule for classes to begin in the new building on January 5, 2015.

The School District piloted the Triple Ae program, a one-to-one mobile learning device and digital curriculum initiative, in FY 2013 with the junior class. The program has been expanded in FY 2014 to include grades 9-12. Permanent improvement funds were utilized to initiate start-up of the program. Ongoing maintenance of the program will come from the technology portion of our permanent improvement funds. The School District was unsuccessful in their bid for a Straight A Fund Grant, but was able to expand the program to the eighth grade for FY 2015.

The renewal of our emergency levy passed by 59% in November 2013. This levy generates \$3,725,182 annually, and is critical to the fiscal health of the School District.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

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**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2014**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$12,871,583
Investments	13,638,180
Total Assets	26,509,763
 Net Position:	
Restricted For:	
Capital Projects	14,474,046
Debt Service	644,494
Federally Funded Projects	47,110
Library Materials	103,213
Other Purposes	601,746
Unrestricted	10,639,154
Total Net Position	\$26,509,763

See accompanying notes to the basic financial statements.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Program Receipts			Net (Disbursements)	
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$7,008,020	\$107,910	\$87,483		(\$6,812,627)
Special	1,943,624	53,230	791,530		(1,098,864)
Other	1,097,217				(1,097,217)
Support Services:					
Pupils	887,487				(887,487)
Instructional Staff	341,443				(341,443)
Board of Education	77,862				(77,862)
Administration	1,234,440				(1,234,440)
Fiscal	568,869				(568,869)
Operation and Maintenance of Plant	1,815,500				(1,815,500)
Pupil Transportation	857,944		12,000		(845,944)
Central	30,010				(30,010)
Non-Instructional Services	850,606	343,563	399,227		(107,816)
Extracurricular Activities	715,864	238,850	9,492		(467,522)
Capital Outlay	10,209,621		101,169		(10,108,452)
Debt Service:					
Principal Retirement	482,236				(482,236)
Interest and Fiscal Charges	941,655				(941,655)
Total Governmental Activities	\$29,062,398	\$743,553	\$1,400,901	\$0	(26,917,944)
General Receipts:					
Property Taxes Levied for General Purposes					6,473,906
Property Taxes Levied for Permanent Improvements					526,948
Property Taxes Levied for Debt Retirement					1,627,243
Grants and Entitlements not Restricted to Specific Programs					8,762,951
Investment Earnings					13,825
Miscellaneous					146,299
Total General Receipts					17,551,172
Change in Net Position					(9,366,772)
Net Position Beginning of Year					35,876,535
Net Position End of Year					\$26,509,763

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS**

June 30, 2014

	<u>General</u>	<u>Building Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$10,689,742		\$2,181,841	\$12,871,583
Investments		\$13,638,180		13,638,180
Total Assets	<u>10,689,742</u>	<u>13,638,180</u>	<u>2,181,841</u>	<u>26,509,763</u>
Fund Balances:				
Restricted:				
Debt Service Fund			644,494	644,494
Capital Outlay		13,638,180	835,867	14,474,047
Food Services			282,653	282,653
Extracurricular			134,846	134,846
Special Education			14,513	14,513
Scholarships			90,701	90,701
Other Purposes			35,810	35,810
Committed:				
Termination Benefits	348,844			348,844
Other Purposes	11,000		42,957	53,957
Library Purposes			100,000	100,000
Assigned:				
Subsequent Year Appropriations	27,243			27,243
Current Obligations	185,527			185,527
Other Purposes	50,590			50,590
Unassigned	10,066,538			10,066,538
Total Fund Balances	<u>\$10,689,742</u>	<u>\$13,638,180</u>	<u>\$2,181,841</u>	<u>\$26,509,763</u>

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
MODIFIED CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Building Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Receipts:				
Property Taxes	\$6,473,906		\$2,154,191	\$8,628,097
Intergovernmental	7,164,736		1,674,159	8,838,895
Interest	24,131	\$101,169	1,274	126,574
Tuition and Fees	1,340,159			1,340,159
Extracurricular Activities	40,313		226,405	266,718
Charges for Services	23,070		343,563	366,633
Miscellaneous	52,456	3,800	37,867	94,123
Total Receipts	<u>15,118,771</u>	<u>104,969</u>	<u>4,437,459</u>	<u>19,661,199</u>
Disbursements:				
Current:				
Instruction:				
Regular	6,716,447		291,573	7,008,020
Special	1,276,765		666,859	1,943,624
Other	1,096,316		901	1,097,217
Support Services				
Pupils	821,303		66,184	887,487
Instructional Staff	335,154		6,289	341,443
Board of Education	77,862			77,862
Administration	1,173,913		60,527	1,234,440
Fiscal	522,257	20	46,592	568,869
Operation and Maintenance of Plant	1,606,647		208,853	1,815,500
Pupil Transportation	774,393		83,551	857,944
Central	29,148		862	30,010
Non-Instructional Services			850,606	850,606
Extracurricular Activities	436,335		279,529	715,864
Capital Outlay		10,185,880	23,741	10,209,621
Debt Service:				
Principal Retirement	40,000		442,236	482,236
Interest and Fiscal Charges	9,157		932,498	941,655
Total Disbursements	<u>14,915,697</u>	<u>10,185,900</u>	<u>3,960,801</u>	<u>29,062,398</u>
Excess of Receipts Over (Under) Disbursements	<u>203,074</u>	<u>(10,080,931)</u>	<u>476,658</u>	<u>(9,401,199)</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	36,407		9,600	46,007
Refund of Prior Year Receipts	(11,580)			(11,580)
Advances In	6,000		6,000	12,000
Advances Out	(6,000)		(6,000)	(12,000)
Transfers In			3,664	3,664
Transfers Out	(3,664)			(3,664)
Total Other Financing Sources (Uses)	<u>21,163</u>		<u>13,264</u>	<u>34,427</u>
Net Change in Fund Balances	<u>224,237</u>	<u>(10,080,931)</u>	<u>489,922</u>	<u>(9,366,772)</u>
Fund Balances Beg of Year	10,465,505	23,719,111	1,691,919	35,876,535
Fund Balances End of Year	<u>\$10,689,742</u>	<u>\$13,638,180</u>	<u>\$2,181,841</u>	<u>\$26,509,763</u>

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$6,473,000	\$6,473,000	\$6,473,906	\$906
Intergovernmental	7,166,049	7,166,049	7,164,736	(1,313)
Interest	17,000	17,000	24,131	7,131
Tuition and Fees	1,323,000	1,323,000	1,340,159	17,159
Extracurricular Activities	28,215	28,215	40,313	12,098
Charges for Service	52,400	52,400	23,070	(29,330)
Miscellaneous	52,158	52,158	52,456	298
Total Receipts	<u>15,111,822</u>	<u>15,111,822</u>	<u>15,118,771</u>	<u>6,949</u>
Disbursements:				
Current:				
Instruction:				
Regular	7,226,090	6,911,205	6,756,996	154,209
Special	1,375,000	1,383,300	1,277,052	106,248
Other	1,100,000	1,100,000	1,096,865	3,135
Support Services:				
Pupils	794,539	846,228	823,610	22,618
Instructional Staff	196,404	355,947	335,154	20,793
Board of Education	76,729	90,729	89,787	942
Administration	1,272,209	1,267,844	1,177,496	90,348
Fiscal	557,491	557,491	528,762	28,729
Operation and Maintenance of Plant	1,729,552	1,740,569	1,685,734	54,835
Pupil Transportation	892,947	894,047	811,524	82,523
Central	145,000	145,000	29,198	115,802
Non-Instructional Services				
Extracurricular Activities	451,170	465,970	439,889	26,081
Capital Outlay				
Debt Service:				
Principle Retirement	40,000	40,000	40,000	
Interest and Fiscal Charges	10,000	10,000	9,157	843
Total Disbursements	<u>15,867,131</u>	<u>15,808,330</u>	<u>15,101,224</u>	<u>707,106</u>
Excess of Receipts				
Under Disbursements	<u>(755,309)</u>	<u>(696,508)</u>	<u>17,547</u>	<u>714,055</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	34,700	34,700	36,407	1,707
Refund of Prior Year Receipts		(11,600)	(11,580)	20
Advances In	6,000	6,000	6,000	
Advances Out			(6,000)	(6,000)
Transfers In	216,500			
Transfers Out		(3,700)	(3,664)	36
Total Other Financing Sources (Uses)	<u>257,200</u>	<u>25,400</u>	<u>21,163</u>	<u>(4,237)</u>
Net Change in Fund Balance	(498,109)	(671,108)	38,710	709,818
Fund Balance at Beginning of Year	10,317,157	10,317,157	10,317,157	
Prior Year Encumbrances Appropriated	148,348	148,348	148,348	
Fund Balance at End of Year	<u>\$9,967,396</u>	<u>\$9,794,397</u>	<u>\$10,504,215</u>	<u>\$709,818</u>

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$20,496	\$15,690
Net Position:		
Held for Trust for Scholarships:		
Expendable	20,496	
Held in Behalf of Student Activities		15,690
	\$20,496	\$15,690

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$13
Gifts and Donations	2,600
Total Additions	<u>2,613</u>
Deductions:	
Scholarships	<u>2,000</u>
Change in Net Position	613
Net Position at Beginning of Year	19,883
Net Position at End of Year	<u><u>\$20,496</u></u>

See accompanying notes to the basic financial statements.

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**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1936. The School District serves an area of approximately forty-four square miles and is located in Allen County. The School District is staffed by seventy-one classified employees and one hundred nine certified personnel who provide services to 1,902 students and other community members. The School District currently operates an elementary school, a middle school, and a high school.

Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting. The School District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

B. Basis of Presentation

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

1. Government-Wide Financial Statements

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

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct cash disbursements and program cash receipts for each program or function of the School District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts, which are not classified as program cash receipts, are presented as general cash receipts of the School District, with certain limited exceptions. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the School District.

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. 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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Major Funds

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

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

The major 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.

Building Construction Fund – The Building Construction Fund is used to account for the receipts and expenditures related to special bond funds. Expenditures are for the new K-5 elementary building.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

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

C. Budgetary Process

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

D. Cash and Cash Equivalents

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

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

During fiscal year 2014, investments were limited to certificates of deposit, Federal notes, Ohio Municipal bonds, Mutual Funds, and STAR Ohio. Investments are reported at cost except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014. 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 2014 was \$24,131 which \$893 assigned from other funds.

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. The School District has no restricted assets at June 30, 2014.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Compensated Absences

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

H. Long-Term Obligations

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

I. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements. Exchange transactions between funds are reported as receipts in the seller funds and as expenditures/disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Repayments from funds responsible for particular expenditures/disbursements to the funds that initially paid for them are not presented on the financial statements.

J. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The School District had no such items during the fiscal year.

K. Net Position

Net position 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 position restricted for other purposes include money for activities for food service operations, athletic monies, principal activity accounts and other funds for purposes such as library.

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 position are available.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balances

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

Non-spendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

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

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, the Board of Education.

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

Unassigned – residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

3. BUDGETARY BASIS OF ACCOUNTING

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

The encumbrances outstanding at year-end (budgetary basis) amount to \$185,527 in the General Fund.

4. DEPOSITS AND INVESTMENTS

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

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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);
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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer, or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School 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 \$1,011,695 and the bank balance was \$1,663,450. Of the bank balance, \$751,407 was covered by federal depository insurance and \$912,043 was uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School 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 Deposit Insurance Corporation. In addition, \$500 was on-hand as concession change fund.

B. Investments

	<u>Value of 6-30-13</u>	<u>% of Total Investment</u>	<u>0-1 Year</u>	<u>1-5 Years</u>
Fed Farm Credit Bank Notes	\$1,453,960	5.69%		\$1,453,960
Fed Home Loan Bank Notes	3,514,948	13.77%		3,514,948
Fed Home Loan Mtg Notes	1,140,090	4.47%	\$1,140,090	
Fed National Mtg Notes	3,158,662	12.37%	829,239	2,329,423
Ohio State Municipal Bonds	754,708	2.96%	500,516	254,192
Certificates of Deposit	12,187,000	47.73%	10,444,000	1,743,000
Mutual Funds	815,733	3.19%	815,733	
STAR Ohio	2,508,653	9.82%	2,508,653	
Totals	<u>\$25,533,754</u>	<u>100.00%</u>	<u>\$16,238,231</u>	<u>\$9,295,523</u>

C. 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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

D. Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement 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.

E. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's policy allows the Treasurer to invest in those investments authorized by the Ohio Revised Code, and places additional limitations with amounts authorized for investment in certain types.

The School District's investments include securities in Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Notes and Federal National Mortgage Notes that have credit ratings of Aaa from Moody's Investor Services. The mutual funds are not rated. The Municipal Bonds carry a rating of AA2 by Moody's and STAR Ohio carries a rating of AAA by Standard and Poor's.

F. Concentration Risk

The School District's policy places no limit on the amount the School District may invest in any one issuer. It is required that the School District's portfolio remain sufficiently liquid to meet reasonably anticipated operational requirements. 48% of the School District's investments are in certificates of deposits at various financial institutions with no one depository holding more than \$249,000. 36% of the School District's investments are in Federal Notes. These investments account for approximately 84% of the School District's total investments for the amounts listed above.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax receipts received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. PROPERTY TAXES (Continued)

Public utility property tax receipts received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from 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, 2014, are available to finance fiscal year 2014 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 2014 taxes were collected are:

	Collections	
	Amount	Percent
Agricultural/Residential	\$151,644,700	64.15 %
Industrial/Commercial	57,004,480	24.11
Utility Real	300,630	0.13
Utility Personal	27,452,840	11.61
Total Assessed Value	\$236,402,650	100.00 %
Tax rate per \$1,000 of assessed valuation:		
Personal Property	\$41.45	
Agricultural/Residential	\$40.28	
Industrial/Commercial	\$41.54	

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 2014, the School District contracted for the following insurance coverage:

Buildings and Contents – replacement cost:	
(\$1,000 deductible)	45,144,603
Automobile Liability	1,000,000
General Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000

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

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. RISK MANAGEMENT (Continued)

For fiscal year 2014, the School District participated in the Sheakley Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". The "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

7. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. 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, under "Publications".

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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members through June 30, 2013 (then one percent increases annually through July 1, 2016) 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, 2014, 2013, and 2012 was \$957,500, \$909,920, and \$936,377, respectively; 82 percent has been contributed for fiscal year 2014 and 100 percent has been contributed for fiscal years 2013 and 2012.

B. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement, disability, survivor 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. That report may be obtained on the SERS' Ohio website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2014, 13.10 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$350,325, \$331,448, and \$307,109, respectively; 84 percent has been contributed for fiscal year 2014, and 100 percent has been contributed for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the STRS/SERS Ohio. As of June 30, 2014, some of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care 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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll the Health Care Stabilization Fund. The School District's contributions allocated to health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$68,393, \$69,994, and \$72,029, respectively. For fiscal year 2014, 82 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

B. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer postemployment benefit 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, 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employer/Audit Resources."

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than the actuarially determined amount; for 2014, this amount was \$20,250.

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 years of service, Medicare eligibility and retirement status.

The District's contributions allocated to health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$3,503, \$4,048, and \$13,300, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

The School District's contributions allocated to Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$19,018, \$18,723, and \$18,136, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

10. DEBT OBLIGATIONS

At June 30, 2014, the School District had three outstanding debt obligations.

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

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

School Improvement Bond Anticipation Note – On May 12, 2012, the School District issued a \$25,100,000 bond anticipation note (BAN) at an interest rate of 1.25% to build a new elementary school. The BAN included a premium of \$100,149 of which \$80,508 was used to offset issuance costs and the remaining amount of \$19,641 was recorded in the debt retirement fund. The BAN matured on November 15, 2012.

School Improvement Bonds – Series 2012 – During Fiscal Year 2013, \$25,100,000 in bonds were issued by the School District to build a new elementary school. The proceeds included \$2,704 premium and \$137,234 capitalized Interest. The bonds are being repaid over a 37 year period with interest rates from 1 to 5% and final payment due December 1, 2049.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. DEBT OBLIGATIONS (Continued)

	Principal Outstanding 6/30/2013	Additions	Deductions	Principal Outstanding 6/30/2014
Sewer Improve Loan	\$222,248		(\$27,236)	\$195,012
General Obligation Bonds	515,000		(40,000)	475,000
Improvement Bonds	25,100,000		(415,000)	24,685,000
Total	<u>\$25,837,248</u>	<u>\$0</u>	<u>(\$482,236)</u>	<u>\$25,355,012</u>

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2014 are as follows:

Fiscal Year Ending	Sewer Improvements Project Loan		General Obligation Bonds		School Improvement Bonds		Total Due
	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$28,614	\$10,237	\$40,000	\$8,418	\$420,000	\$915,100	\$1,422,369
2016	30,084	8,757	40,000	7,678	425,000	908,800	1,420,319
2017	31,598	7,199	40,000	6,938	435,000	902,425	1,423,160
2018	33,203	5,563	40,000	6,198	158,940	1,176,963	1,420,867
2019	34,875	3,843	45,000	5411	131,060	1,204,842	1,425,031
2020-2024	36,638	2037	225,000	14,569	2,305,000	4,375,750	6,958,994
2025-2029			45,000	416	2,660,000	4,018,950	6,724,366
2030-2034					3,155,000	3,527,350	6,682,350
2035-2039					3,730,000	2,939,325	6,669,325
2040-2044					4,480,000	2,190,825	6,670,825
2045-2049					5,515,000	1,160,700	6,675,700
2050					1,270,000	63,500	1,333,500
Totals	<u>\$195,012</u>	<u>\$37,636</u>	<u>\$475,000</u>	<u>\$49,628</u>	<u>\$24,685,000</u>	<u>\$23,384,530</u>	<u>\$48,826,806</u>

11. SET ASIDES

The School District is required by State law to set-aside certain general fund revenue amounts, as defined by statutory formula, 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 year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-Aside Reserve Balance at June 30, 2013	
Current year set-aside requirement	\$313,962
Current year offsets	
Current year qualifying expenditures	(720,218)
Total	<u>(406,256)</u>
Balance carried forward to fiscal year 2014	<u>\$0</u>
Set-aside reserve balance June 30, 2014	<u>\$0</u>

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. SET ASIDES (Continued)

For the capital improvement reserve, qualifying expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

12. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2014, the School District paid \$55,817 to NOACSC for various services. Financial information can be obtained from Ray Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

B. Apollo Career Center

The Apollo Career Center (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 Career Center, Greg Bukowski, who serves as Treasurer, 3325 Shawnee Road, Lima, Ohio 45806.

C. Local Professional Development Committee Consortium – Spencerville, Perry, and Bath Local Schools

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

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Northwestern Ohio Educational Research Council, Inc.

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

13. INSURANCE POOLS

A. Allen County Schools Health Benefits Plan

The School District participates in the Allen County Schools Health Benefits Plan (Plan), a public entity shared risk pool consisting of the school districts within Allen County and the Allen County Educational Service Center. The Plan is organized as a Voluntary Employee Benefit Association under Section 501 ©(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, 1920 Slabtown Rd., Lima, Ohio 45801.

B. 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 Lima Allen County Chamber of Commerce as a group insurance purchasing pool. Sheakley is the Third Party Administrator for Bath Local School District and the Lima Allen County Chamber of Commerce group.

14. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. CONTINGENCIES (Continued)

B. Litigation

On December 10, 2013, a parent of a former student of the Bath Local School District filed a lawsuit in the Allen County Court of Common Pleas against Bath Local Schools and Jon Roe, a former student of Bath Schools. Plaintiff alleges that her child was sexually assaulted at least four times by Jon Roe on a Bath Local Schools' bus, and that the School District's negligence has caused emotional distress on her child. Plaintiff demands compensatory damages in an amount in excess of \$25,000 and non-economic damages in the amount of \$250,000 for each alleged occurrence. The Bath Local Board of Education is in contact with Governmental Underwriters of America, who carries their liability insurance coverage. Scott, Scriven and Wahoff LLP is representing the School District in this action. The law firm has been instructed to vigorously pursue and protect the Board's interests but cannot, of course, guarantee the outcome of a legal proceeding. The Board of Education filed a Motion to dismiss the lawsuit with the Court of Common Pleas, which the Court granted. Plaintiff appealed the decision to the Allen County Court of Appeals. Both the Plaintiff and Board of Education filed written briefs and an oral argument was held before the Court on October 7, 2014. The Court of Appeals affirmed the trial court's decision dismissing the case on November 10, 2014.

15. INTERFUND TRANSFERS

During fiscal year 2014, the School District transferred \$3,664 from the General Fund to the RECAL Fund.

During fiscal year 2014, the School District made advances between funds as follows:

	<u>Advances – In</u>	<u>Advances – Out</u>
Governmental:		
General Fund	\$6,000	\$6,000
All Other Governmental Funds	6,000	6,000
Total Governmental	\$12,000	\$12,000

16. ACCOUNTABILITY AND COMPLIANCE

A. Accountability – Change in Accounting Principles

For Fiscal Year 2014, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees".

GASB Statement No. 70 provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is often not recorded on the financial statements of the government. However, GASB Statement No. 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for-profit organization, and a private entity or blended or discretely presented component unity. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

16. ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance

Ohio Administrative Code Section 117-2-03 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2014, the School District prepared its financial report on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

17. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The Bath School community passed a \$25.1 million bond issue on March 6, 2012 for a new K-5 elementary building. The project is currently in the construction phase. As of October 13, 2014, a total of \$17,390,941 has been expended from the 004 Building Construction fund, with an additional \$7,730,468 encumbered.

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**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
School Breakfast Program	10.553		\$1,049		\$1,049
National School Lunch Program	10.555		72,563		72,563
School Breakfast Program	10.553	\$54,235		\$54,235	
National School Lunch Program	10.555	336,241		336,241	
Total Nutrition Cluster		<u>390,476</u>	<u>73,612</u>	<u>390,476</u>	<u>73,612</u>
Total U.S. Department of Agriculture		<u>390,476</u>	<u>73,612</u>	<u>390,476</u>	<u>73,612</u>
U.S. DEPARTMENT OF EDUCATION					
(Passed through Ohio Department of Education)					
Title 1 Grants to Local Educational Agencies	84.010	430,045		430,491	
Special Education Grants to States	84.027	360,149		360,248	
Rural Education	84.358	15,321		14,966	
Improving Teacher Quality State Grants	84.367	65,847		60,963	
ARRA - Race to the Top Incentive Grants, Recovery Act	84.395	700		700	
Total U.S. Department of Education		<u>872,062</u>		<u>867,368</u>	
Total Federal Assistance		<u>\$1,262,538</u>	<u>\$73,612</u>	<u>\$1,257,844</u>	<u>\$73,612</u>

See accompanying notes to the schedule of federal awards receipts and disbursements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - PASS THROUGH FUNDS

The School District was awarded federal program allocations to be administered on their behalf by the Allen County Educational Service Center. For 2014 the School District's allocation was as follows:

- Early Childhood Special Education, IDEA – CFDA# 84.173.....\$3,851



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bath Local School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 8, 2014, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

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.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

December 8, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Bath Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Bath Local School District's major federal programs for the fiscal year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Bath Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 8, 2014

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 and National School Lunch Program – CFDA #10.555 Special Education Grants to States – CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

Noncompliance Citation

Ohio Rev. Code § 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 § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Adm. Code § 117-2-03 (B) requires all school districts to file annual financial reports in accordance with generally accepted accounting principles (GAAP). The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 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 the financial statements according to generally accepted accounting principles to provide the users with more complete and meaningful financial statements.

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code Section 117.38 and Ohio Admin Code 117-2-03(B) – Failure to file financial statements in accordance with Generally Accepted Accounting Principles	No	Repeated as 2014-001
2013-002	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 and National School Lunch Program – CFDA #10.555: Noncompliance / Significant Deficiency – Eligibility 7 CFR 245.10(a)(2)	Yes	

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Dave Yost • Auditor of State

BATH LOCAL SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 31, 2014**