



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 modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bath Local School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2015, 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 modified 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 modified 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, 2015, and the respective changes in modified 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. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures 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.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, 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 March 1, 2016, 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

March 1, 2016

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**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(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, 2015. 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 2015 are as follows:

- In total, the net position of the School District declined \$10,604,396 primarily due to using bond revenue in construction of a new elementary building. General receipts accounted for \$16,377,896, or 81 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 \$15,691,943 in receipts and other financing sources and \$15,293,562 in disbursements and other financing uses. The General Fund's balance increased \$398,381 from the prior fiscal year.
- FY 2015 is the twelfth year that financial statements were prepared on the modified cash basis utilizing the GASB 34 format. The decision to change the basis of reporting was made by the Board of Education in order to save financial resources.

**Using the Basic Financial Statements**

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

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

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

**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 2015 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.

**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)  
(Continued)**

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 2015 and 2014 on the modified cash basis of accounting. A comparative analysis is provided for government-wide financial statements using the modified cash basis of accounting.

**Table 1  
Net Position**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
<b>Assets:</b>		
Cash and Cash Equivalents	\$13,774,402	\$12,871,583
Investments	2,130,965	13,638,180
<b>Total Assets</b>	<u>15,905,367</u>	<u>26,509,763</u>
<b>Net Position:</b>		
Restricted	4,817,244	15,870,609
Unrestricted	11,088,123	10,639,154
<b>Total Net Position</b>	<u>\$15,905,367</u>	<u>\$26,509,763</u>

**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)  
(Continued)**

Table 2 reflects the changes in net position for fiscal years 2015 and 2014. A comparative analysis of government-wide data is presented using the modified cash basis of accounting.

**Table 2  
Change in Net Position**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$2,335,387	\$743,553
Operating Grants, Contributions, and Interest	1,421,974	1,400,901
Capital Grants and Contributions		
Total Program Receipts	<u>3,757,361</u>	<u>2,144,454</u>
<b>General Receipts:</b>		
Property Taxes Levied for General Purposes	6,458,130	6,473,906
Property Taxes Levied for Permanent Improvements	528,258	526,948
Property Taxes Levied for Debt Retirement	1,524,150	1,627,243
Grants and Entitlements	7,659,429	8,762,951
Interest	53,376	13,825
Miscellaneous	154,553	146,299
Total General Receipts	<u>16,377,896</u>	<u>17,551,172</u>
Total Receipts	<u>20,135,257</u>	<u>19,695,626</u>
<b>Disbursements:</b>		
<b>Instruction:</b>		
Regular	7,334,010	7,008,020
Special	1,939,443	1,943,624
Other	1,226,525	1,097,217
<b>Support Services:</b>		
Pupils	946,309	887,487
Instructional Staff	301,337	341,443
Board of Education	60,275	77,862
Administration	1,241,628	1,234,440
Fiscal	553,175	568,869
Operations and Maintenance of Plants	1,827,466	1,815,500
Pupil Transportation	923,059	857,944
Central	9,628	30,010
Non-Instructional Services	731,861	850,606
Extracurricular Activities	662,149	715,864
Capital Outlay	11,565,283	10,209,621
<b>Debt Service:</b>		
Principal Retirement	488,614	482,236
Interest and Fiscal Charges	931,391	941,655
Total Disbursements	<u>30,742,153</u>	<u>29,062,398</u>
Excess/(Shortage) of Receipts before Transfers	(10,606,896)	(9,366,772)
Transfers	2,500	
Change in Net Position	<u>(\$10,604,396)</u>	<u>(\$9,366,772)</u>

Program receipts account for only 19 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees and extracurricular activities, and food service sales.

**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)  
(Continued)**

The major program disbursements for governmental activities are for instruction, which accounts for 34 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 2015, capital outlay represented a significant portion of cash disbursements, 38 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.

**Table 3  
Governmental Activities**

	<b>Total Cost of Services 2015</b>	<b>Total Cost of Services 2014</b>	<b>Net Cost of Services 2015</b>	<b>Net Cost of Services 2014</b>
<b>Instruction:</b>				
Regular	7,334,010	7,008,020	5,924,495	6,812,627
Special	1,939,443	1,943,624	687,923	1,098,864
Other	1,226,525	1,097,217	1,226,525	1,097,217
<b>Support Services:</b>				
Pupils	946,309	887,487	946,309	887,487
Instructional Staff	301,337	341,443	301,337	341,443
Board of Education	60,275	77,862	60,275	77,862
Administration	1,241,628	1,234,440	1,241,628	1,234,440
Fiscal	553,175	568,869	553,175	568,869
Operation and Maintenance of Plant	1,827,466	1,815,500	1,827,466	1,815,500
Pupil Transportation	923,059	857,944	918,059	845,944
Central	9,628	30,010	9,628	30,010
Non-Instructional Services	731,861	850,606	(107,353)	107,816
Extracurricular Activities	662,149	715,864	440,319	467,522
Capital Outlay	11,565,283	10,209,621	11,535,001	10,108,452
Debt Service	1,420,005	1,423,891	1,420,005	1,423,891
<b>Total Disbursements</b>	<b>30,742,153</b>	<b>29,062,398</b>	<b>26,984,792</b>	<b>26,917,944</b>

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 74 percent of instruction activities are supported through taxes and other general receipts. Operation of food services was 100 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-four percent of extracurricular activities disbursements are covered by program cash receipts. This is primarily due to music and athletic fees, ticket sales, and gate receipts. For all governmental activities, support from general receipts is 88 percent. It is apparent that the community, as a whole, is the primary support for Bath Local School District students.

**The School District's Funds**

Total governmental funds had cash receipts and other financing sources of \$20,142,857 and disbursements and other financing uses of \$30,747,253. The negative change of \$(10,604,396) 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, 2015  
(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 2015, the School District amended its General Fund budget as needed. Final budgeted receipts, in the amount of \$15,670,508, were below actual receipts of \$15,691,943. The \$21,435 difference is relatively insignificant.

Final disbursements were budgeted at \$15,795,269 while actual disbursements were \$15,565,451. The School District was able to restrict spending below what was anticipated. The \$229,818 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 School 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, 2015 was \$166,398, principal balance on the general obligation energy conservation bonds was \$435,000, and principal balance on the school improvement bond issuance was \$24,265,000. 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 grades Kindergarten through Fourth moved into the building to begin classes in January 2015. Fifth grade will move into the building for fall 2015.

**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, 2015**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$13,774,402
Investments	2,130,965
Total Assets	<u>15,905,367</u>
<b>Net Position</b>	
Restricted For:	
Capital Projects	3,060,050
Debt Service	994,756
Federally Funded Projects	12,116
Library Materials	99,987
Other Purposes	650,335
Unrestricted	<u>11,088,123</u>
Total Net Position	<u>\$15,905,367</u>

*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, 2015**

	<u>Program Receipts</u>			<u>Net (Disbursements)</u>
	<u>Cash</u> <u>Disbursements</u>	<u>Charges for</u> <u>Services and Sales</u>	<u>Operating Grants</u> <u>Contributions</u> <u>and Interest</u>	<u>Governmental</u> <u>Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$7,334,010	\$1,311,715	\$97,800	(\$5,924,495)
Special	1,939,443	471,864	779,656	(687,923)
Other	1,226,525			(1,226,525)
<b>Support Services:</b>				
Pupils	946,309			(946,309)
Instructional Staff	301,337			(301,337)
Board of Education	60,275			(60,275)
Administration	1,241,628			(1,241,628)
Fiscal	553,175			(553,175)
Operation and Maintenance of Plant	1,827,466			(1,827,466)
Pupil Transportation	923,059		5,000	(918,059)
Central	9,628			(9,628)
Non-Instructional Services	731,861	337,055	502,159	107,353
Extracurricular Activities	662,149	214,753	7,077	(440,319)
Capital Outlay	11,565,283		30,282	(11,535,001)
<b>Debt Service:</b>				
Principal Retirement	488,614			(488,614)
Interest and Fiscal Charges	931,391			(931,391)
<b>Total Governmental Activities</b>	<u><u>\$30,742,153</u></u>	<u><u>\$2,335,387</u></u>	<u><u>\$1,421,974</u></u>	<u><u>(\$26,984,792)</u></u>
<b>General Receipts:</b>				
Property Taxes Levied for General Purposes				6,458,130
Property Taxes Levied for Permanent Improvements				528,258
Property Taxes Levied for Debt Retirement				1,524,150
Grants and Entitlements not Restricted to Specific Programs				7,659,429
Investment Earnings				53,376
Miscellaneous				154,553
<b>Total General Receipts</b>				<u>16,377,896</u>
Transfers - from Agency				5,200
Transfers - to Private Purpose Trust & Agency				(2,700)
<b>Total General Receipts and Transfers</b>				<u>16,380,396</u>
Change in Net Position				(10,604,396)
Net Position Beginning of Year				26,509,763
<b>Net Position End of Year</b>				<u><u>\$15,905,367</u></u>

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, 2015**

	<u>General</u>	<u>Building Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$11,088,123		\$2,686,279	\$13,774,402
Investments		\$2,130,965		2,130,965
Total Assets	<u>11,088,123</u>	<u>2,130,965</u>	<u>2,686,279</u>	<u>15,905,367</u>
<b>Fund Balances:</b>				
<b>Restricted:</b>				
Debt Service Fund			994,756	994,756
Capital Outlay		2,130,965	929,085	3,060,050
Food Services			394,668	394,668
Extracurricular			129,610	129,610
Special Education			12,985	12,985
Scholarships			86,248	86,248
Other Purposes			601	601
<b>Committed:</b>				
Termination Benefits	295,738			295,738
Other Purposes	11,000		39,547	50,547
Library Purposes			99,987	99,987
<b>Assigned:</b>				
Subsequent Year Appropriations	419,433			419,433
Current Obligations	271,889			271,889
Other Purposes	52,028			52,028
Unassigned:	10,038,035		(1,208)	10,036,827
Total Fund Balances	<u>\$11,088,123</u>	<u>\$2,130,965</u>	<u>\$2,686,279</u>	<u>\$15,905,367</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, 2015**

	<u>General</u>	<u>Building Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
Property Taxes	\$6,458,130		\$2,052,408	\$8,510,538
Intergovernmental	7,602,846		1,764,973	9,367,819
Interest	52,118	\$30,282	1,258	83,658
Tuition and Fees	1,437,522			1,437,522
Extracurricular Activities	5,166		202,263	207,429
Charges for Services	15,455		337,055	352,510
Miscellaneous	78,602		60,960	139,562
Total Receipts	<u>15,649,839</u>	<u>30,282</u>	<u>4,418,917</u>	<u>20,099,038</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,945,138		388,872	7,334,010
Special	1,271,758		667,685	1,939,443
Other	1,225,066		1,459	1,226,525
<b>Support Services</b>				
Pupils	867,553		78,756	946,309
Instructional Staff	289,049		12,288	301,337
Board of Education	58,275		2,000	60,275
Administration	1,179,158		62,470	1,241,628
Fiscal	510,197		42,978	553,175
Operation and Maintenance of Plant	1,621,015		206,451	1,827,466
Pupil Transportation	829,705		93,354	923,059
Central	8,216		1,412	9,628
Non-Instructional Services			731,861	731,861
Extracurricular Activities	434,914		227,235	662,149
Capital Outlay		11,537,497	27,786	11,565,283
<b>Debt Service:</b>				
Principal Retirement	40,000		448,614	488,614
Interest and Fiscal Charges	8,418		922,973	931,391
Total Disbursements	<u>15,288,462</u>	<u>11,537,497</u>	<u>3,916,194</u>	<u>30,742,153</u>
Excess of Receipts Over (Under) Disbursements	<u>361,377</u>	<u>(11,507,215)</u>	<u>502,723</u>	<u>(10,643,115)</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	34,504		1,715	36,219
Advances In	2,400			2,400
Advances Out	(2,400)			(2,400)
Transfers In	5,200			5,200
Transfers Out	(2,700)			(2,700)
Total Other Financing Sources (Uses)	<u>37,004</u>		<u>1,715</u>	<u>38,719</u>
Net Change in Fund Balances	398,381	(11,507,215)	504,438	(10,604,396)
Fund Balances Beg of Year	10,689,742	13,638,180	2,181,841	26,509,763
Fund Balances End of Year	<u>\$11,088,123</u>	<u>\$2,130,965</u>	<u>\$2,686,279</u>	<u>\$15,905,367</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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property Taxes	\$6,402,174	\$6,457,174	\$6,458,130	\$956
Intergovernmental	7,557,791	7,600,691	7,602,846	2,155
Interest	69,168	45,000	52,118	7,118
Tuition and Fees	1,189,087	1,404,542	1,437,522	32,980
Extracurricular Activities	28,000	1,000	5,166	4,166
Charges for Service	50,000	50,369	15,455	(34,914)
Miscellaneous	47,000	76,532	78,602	2,070
Total Receipts	<u>15,343,220</u>	<u>15,635,308</u>	<u>15,649,839</u>	<u>14,531</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,931,946	7,058,467	7,034,112	24,355
Special	1,307,287	1,276,287	1,273,271	3,016
Vocational	1,039	1,254		1,254
Other	1,150,549	1,230,549	1,230,188	361
<b>Support Services:</b>				
Pupils	844,762	870,852	867,954	2,898
Instructional Staff	316,498	304,025	290,926	13,099
Board of Education	91,000	91,000	73,616	17,384
Administration	1,176,693	1,208,883	1,180,532	28,351
Fiscal	544,404	544,404	516,620	27,784
Operation and Maintenance of Plant	1,764,808	1,769,188	1,715,965	53,223
Pupil Transportation	878,131	907,331	884,201	23,130
Central	32,050	34,050	8,306	25,744
Non-Instructional Services				
Extracurricular Activities	431,554	447,279	436,242	11,037
Capital Outlay				
<b>Debt Service:</b>				
Principle Retirement	40,000	40,000	40,000	
Interest and Fiscal Charges	9,000	9,000	8,418	582
Total Disbursements	<u>15,519,721</u>	<u>15,792,569</u>	<u>15,560,351</u>	<u>232,218</u>
Excess of Receipts				
Under Disbursements	<u>(176,501)</u>	<u>(157,261)</u>	<u>89,488</u>	<u>246,749</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	30,000	30,000	34,504	4,504
Refund of Prior Year Receipts				
Advances In	20,000		2,400	2,400
Advances Out			(2,400)	(2,400)
Transfers In		5,200	5,200	
Transfers Out		(2,700)	(2,700)	
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>32,500</u>	<u>37,004</u>	<u>4,504</u>
Net Change in Fund Balance	(126,501)	(124,761)	126,492	251,253
Fund Balance at Beginning of Year	10,504,215	10,504,215	10,504,215	
Prior Year Encumbrances Appropriated	185,527	185,527	185,527	
Fund Balance at End of Year	<u>\$10,563,241</u>	<u>\$10,564,981</u>	<u>\$10,816,234</u>	<u>\$251,253</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, 2015**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$20,757	\$18,663
<b>Net Position:</b>		
Held in Trust for Scholarships:		
Expendable	20,757	
Held on Behalf of Student Activities		18,663
	\$20,757	\$18,663

*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, 2015**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$11
Transfer In	2,500
Total Additions	<u>2,511</u>
<b>Deductions:</b>	
Scholarships	<u>2,250</u>
Change in Net Position	261
Net Position at Beginning of Year	<u>20,496</u>
Net Position at End of Year	<u><u>\$20,757</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, 2015**

**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-two classified employees and one hundred ten certified personnel who provide services to 1,913 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 Program. These organizations are presented in Notes 12 and 13 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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



**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Major Funds**

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

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

The funds of the financial reporting entity are described below:

**General Fund** - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**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.

**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 as well as athletic OHSAA tournament funds.

**C. Budgetary Process**

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

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

**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**D. Cash and Cash Equivalents**

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

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

During fiscal year 2015, investments were limited to certificates of deposit, Federal Agency Securities, 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, 2015. 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 2015 was \$52,118, which includes \$2,014 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, 2015.

**F. Property, Plant and Equipment**

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

**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**H. 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.

**I. 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.

**J. 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.

**K. 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 did not have any extraordinary or special items.

**L. 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, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Fund Balances**

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

**Non-spendable** – amounts that cannot be spent because they are either (a) not in spendable form 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 District's highest level of decision-making authority, the Board of Education.

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

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

**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 assigned or committed fund balance (cash basis).

The encumbrances outstanding at year-end (budgetary basis) amount to \$271,889 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, 2015  
(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, 2015  
(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.

**Deposits** - Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits.

The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the School District's deposits was \$1,703,823 and the bank balance was \$1,872,585. Of the bank balance, \$664,530 was covered by federal depository insurance and \$1,208,055 was uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal District Insurance Corporation. In addition, \$750 was on-hand as concession change funds.

**A. Investments**

	<u>Value of 6-30-15</u>	<u>% of Total Investment</u>	<u>0-1 Year</u>	<u>1-5 Years</u>
Fed Farm Credit Bank	\$1,418,043	9.96%		\$1,418,043
Fed Home Loan Bank	3,519,326	24.71%	\$475,025	3,044,301
Fed Home Loan Mtg	1,628,618	11.44%	-	1,628,618
Fed National Mtg	2,721,682	19.11%	1,258,562	1,463,120
Ohio State Municipal Bonds	250,333	1.76%	250,333	
Certificates of Deposit		0.00%		
Mutual Funds	1,937,737	13.61%	1,937,737	
STAR Ohio	2,764,475	19.41%	2,764,475	
Totals	<u>\$14,240,214</u>	<u>100.00%</u>	<u>\$6,686,132</u>	<u>\$7,554,082</u>

**B. Interest Rate Risk**

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

**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**C. 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.

**D. 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, Federal Home Loan Bank, Federal Home Loan Mortgage and Federal National Mortgage 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 AAAM by Standard and Poor's.

**E. Concentration Risk**

The School District's policy places no limit on the amount the District may invest in any one issuer. It is required that the District's portfolio remain sufficiently liquid to meet reasonably anticipated operational requirements. 65% of the District's investments are in Federal Agency Securities, 19% is in STAR Ohio, with another 14% in Mutual Funds. These investments account for approximately 98% of the District's total investments for the amounts listed on the prior page.

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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, 2015  
(Continued)**

**5. PROPERTY TAXES (Continued)**

Public utility property tax receipts received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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, 2015, are available to finance fiscal year 2015 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 2015 taxes were collected are:

	<b>Collections</b>	
	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$151,809,980	63.76 %
Industrial/Commercial	58,134,600	24.42
Utility Real	300,330	0.12
Utility Personal	27,833,180	11.70
Total Assessed Value	<u>\$238,078,090</u>	<u>100.00 %</u>

**Tax rate per \$1,000 of assessed valuation:**

Personal Property	\$40.45
Agricultural/Residential	\$39.20
Industrial/Commercial	\$40.45

**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 2015, the School District contracted for the following insurance coverage:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$46,198,842
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) (Note 13), a public entity shared risk pool consisting of ten school districts and the Allen County Educational Service Center.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**6. RISK MANAGEMENT (Continued)**

The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program and the payment of claims. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

For fiscal year 2015, 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. Net Pension Liability**

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

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**7. DEFINED BENEFIT PENSION PLANS (Continued)**

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**B. Plan Description - School Employees Retirement System (SERS)**

**Plan Description** – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	<b>Eligible to Retire on or before August 1, 2017 *</b>	<b>Eligible to Retire on or after August 1, 2017</b>
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

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**7. DEFINED BENEFIT PENSION PLANS (Continued)**

The School District's contractually required contribution to SERS was \$376,196 for fiscal year 2015.

**C. Plan Description - State Teachers Retirement System (STRS)**

**Plan Description** – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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**7. DEFINED BENEFIT PENSION PLANS (Continued)**

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$951,776 for fiscal year 2015.

**D. Net Pension Liability**

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,994,197	\$16,032,736	\$20,026,933
Proportion of the Net Pension Liability	0.078922%	0.06591324%	

**E. Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**7. DEFINED BENEFIT PENSION PLANS (Continued)**

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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**7. DEFINED BENEFIT PENSION PLANS (Continued)**

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
School District's proportionate share of the net pension liability	\$5,698,533	\$3,994,197	\$2,560,704

**F. Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return</b>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

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(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
School District's proportionate share of the net pension liability	\$22,952,102	\$16,032,736	\$10,180,626

**G. 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, 2015, some of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

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**8. POST-EMPLOYMENT BENEFITS (Continued)**

**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 2015, STRS Ohio did not allocate employer contributions to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014 and 2013 were \$68,393 and \$69,994, respectively. The full amount has been contributed for fiscal years 2014 and 2013.

**B. School Employees Retirement System**

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$39,946.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$22,034, \$3,503, and \$4,048, respectively; 93 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.



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**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, 2015, the School District had three outstanding debt obligations.

**Sewer Improvement Loan Project** - On August 11, 2000, 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 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 bonds are being repaid over a 37 year period with interest rates from 1 to 5% and final payment due December 1, 2049.

	<b>Principal Outstanding 6/30/2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/2015</b>
Sewer Improvement Loan	\$195,012		(\$28,614)	\$166,398
General Obligation Bonds	475,000		(40,000)	435,000
Improvement Bonds	24,685,000		(420,000)	24,265,000
Total	<u>\$25,355,012</u>	<u>\$0</u>	<u>(\$488,614)</u>	<u>\$24,866,398</u>

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2015 is as follows:

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**10. DEBT OBLIGATIONS (Continued)**

Fiscal Year Ending	Sewer Improvements Project Loan		General Obligation Bonds		School Improvement Bonds		Total Due
	Principal	Interest	Principal	Interest	Principal	Interest	
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	5,411	131,060	1,204,842	1,425,031
2020	36,638	2,037	45,000	4,579	440,000	895,900	1,424,154
2021-2025			225,000	10,406	2,365,000	4,316,700	6,917,106
2026-2030					2,750,000	3,928,175	6,678,175
2031-2035					3,260,000	3,419,925	6,679,925
2036-2040					3,865,000	2,804,850	6,669,850
2041-2045					4,655,000	2,015,850	6,670,850
2046-2050					5,780,000	895,000	6,675,000
Totals	<u>\$166,398</u>	<u>\$27,399</u>	<u>\$435,000</u>	<u>\$41,210</u>	<u>\$24,265,000</u>	<u>\$22,469,430</u>	<u>\$47,404,437</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, 2014	
Current year set-aside requirement	\$323,332
Current year offsets	(721,795)
Current year qualifying expenditures	
Total	<u>(398,463)</u>
Balance carried forward to fiscal year 2016	<u>\$0</u>
Set-aside reserve balance June 30, 2015	<u>\$0</u>

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

**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**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 2015, the School District paid \$60,843 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 (Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Center is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Apollo Career Center, Greg Bukowski, who serves as Treasurer, 3325 Shawnee Road, Lima, Ohio 45806.

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

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

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

**D. Northwestern Ohio Educational Research Council, Inc.**

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

**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**13. INSURANCE POOLS**

**A. Allen County Schools Health Benefits Plan**

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

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 Dean Wittwer, who serves as Chairman, 1920 Slabtown Road, 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, 2015.

**B. Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**14. CONTINGENCIES (Continued)**

**C. 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. 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 dismissed the case, and on December 23, 2014 the Plaintiff appealed the Court of Appeals' decision to the Ohio Supreme Court. On June 24, 2015 the Board of Education was notified that the Court has declined jurisdiction, meaning it will not hear the appeal. This matter has been closed.

**15. INTERFUND TRANSFERS AND ADVANCES**

During fiscal year 2015, the School District transferred \$5,200 from the Class of 2015 Agency Fund to the High School, Middle School, and Elementary Principal funds (which roll into the General Fund under GASB 54). In addition, \$2,500 was transferred from the Middle School Principal Fund (rolls into the General Fund under GASB 54) to the Ross Dixon Scholarship Private Purpose Trust fund and \$200 was transferred to the Class of 2016 Agency Fund.

During fiscal year 2015, the School District made advances between funds as follows:

	<b>Advances-In</b>	<b>Advances-Out</b>
Governmental: General Fund	\$2,400	\$2,400
Agency Fund	2,400	2,400
Total	\$4,800	\$4,800

**16. ACCOUNTABILITY**

**Change in Accounting Principles**

For Fiscal Year 2015, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.68".

GASB Statement No. 69 established accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 replaces the requirements of GASB Statement No. 27 and GASB Statement No. 50 as they relate to pension plans that are administered through trusts or equivalent arrangements meeting certain criteria. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68, relating to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The implementation of GASB Statement No. 68 and No. 71 did not have an effect on the financial statements of the District. See Note 7 for disclosure details.

**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**17. CONSTRUCTION & 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 June 30, 2015, a total of \$23,159,035 has been expended from the 004 Building Construction fund.

**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
(Passed through Ohio Department of Education)					
<b>Child Nutrition Cluster:</b>					
Non-Cash Assistance (Food Distribution)					
School Breakfast Program	10.553		\$973		\$973
National School Lunch Program	10.555		20,585		20,585
Cash Assistance:					
School Breakfast Program	10.553	\$69,636		\$69,636	
National School Lunch Program	10.555	422,827		422,827	
Total Nutrition Cluster		<u>492,463</u>	<u>21,558</u>	<u>492,463</u>	<u>21,558</u>
Total U.S. Department of Agriculture		<u>492,463</u>	<u>21,558</u>	<u>492,463</u>	<u>21,558</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
(Passed through Ohio Department of Education)					
Title 1 Grants to Local Educational Agencies	84.010	426,416		452,044	
Special Education_Grants to States	84.027	352,583		353,655	
Rural Education	84.358	24,941		25,919	
Improving Teacher Quality State Grants	84.367	<u>67,281</u>		<u>72,165</u>	
Total U.S. Department of Education		<u>871,221</u>		<u>903,783</u>	
Total Federal Assistance		<u>\$1,363,684</u>	<u>\$21,558</u>	<u>\$1,396,246</u>	<u>\$21,558</u>

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

**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipt and Expenditures (the Schedule) reports the Bath Local School District's (the School District) federal award programs' receipts and expenditures. 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 entitlement 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 2015 the School District's allocation was as follows:

- Early Childhood Special Education, IDEA – CFDA# 84.173    \$3,859





# 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 modified cash-basis 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, 2015, 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 March 1, 2016 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 opinion 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 2015-001.

***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

March 1, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 the 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, 2015. The *Summary of Auditor's 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, 2015.

**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 internal control over compliance tests 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

March 1, 2016

**BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 and National School Lunch Program – CFDA #10.555  Title I Grants to Local Educational Agencies - CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2015-001**

**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 which are prepared using generally accepted accounting principles. 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.

To help provide the users with more meaningful financial statements, the School District should prepare its financial statements in accordance with generally accepted accounting principles.

**OFFICIALS' RESPONSE:** The School District acknowledges this requirement but will continue to report on the modified cash basis in order to save 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, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	<b>Ohio Rev. Code Section 117.38</b> and <b>Ohio Admin Code 117-2-03(B)</b> – Failed to file annual financial reports using generally accepted accounting principles.	No	Repeated as 2015-001

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# Dave Yost • Auditor of State

**BATH LOCAL SCHOOL DISTRICT**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 14, 2016**