

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Bath Local School District, Allen County, prepared by E.S. Evans and Company, for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 8, 2008

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BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

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E.S. Evans and Company

Certified Public Accountants

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E.S. Evans, CPA, PFS (1930-1999) • Robert E. Wendel, CPA • Dan F. Clifford, CPA, CVA
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November 11, 2008

INDEPENDENT AUDITOR'S REPORT

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

Auditor of State of Ohio
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bath Local School District, Allen County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Bath Local School District, Allen County, Ohio, as of June 30, 2008, and the respective changes in modified cash basis financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, we have also issued a report dated November 11, 2008 on our consideration of Bath Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

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

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

The discussion and analysis of Bath Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

In total, net assets increased \$1,931,460, or 17 percent, indicating a significant change from the prior fiscal year. General receipts accounted for \$16,487,417, or 89 percent of all receipts, and reflects the School District's significant dependence on property taxes and unrestricted state entitlements.

The School District's personal property tax valuation is decreasing because of changes to state law that are phasing out personal property tax. In June 2005, H.B. 66 was passed. H.B. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. At the same time, the bill replaces the cash receipts lost due to phasing out the tax. In the first five years (2006-2010), school districts and local governments are reimbursed fully for lost cash receipts. In the following seven years (2011-2018) the reimbursements are phased out.

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

FY 2008 is the fifth year that financial statements were prepared on the modified cash basis utilizing the GASB 34 format. The decision to change the basis of reporting was made by the Board of Education in order to save financial resources.

Using the Basic Financial Statements

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

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2008 on the modified cash basis of accounting.

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

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

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

Reporting the School District's Most Significant Funds

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

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

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal years 2008 and 2007 on the modified cash basis of accounting. A comparative analysis is provided for government-wide financial statements using the modified cash basis of accounting.

Table 1
Net Assets

	Governmental Activities	
	2008	2007
<u>Assets:</u>		
Cash and Cash Equivalents	\$ 2,724,691	\$ 2,889,659
Investments	10,478,681	8,382,253
Total Assets	\$ 13,203,372	\$ 11,271,912
 <u>Net Assets:</u>		
Restricted	\$ 2,515,123	\$ 2,502,819
Unrestricted	10,688,249	8,769,093
Total Net Assets	\$ 13,203,372	\$ 11,271,912

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

Table 2 reflects the changes in net assets for fiscal years 2008 and 2007. A comparative analysis of government-wide data is presented using the modified cash basis of accounting.

Table 2 -Change in Net Assets

<u>Revenues</u>	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Program Revenues:		
Charges for Services and Sales	\$ 1,014,433	\$ 1,014,321
Operating Grants, Contributions, and Interest	1,053,597	970,842
Capital Grants and Contributions	43,704	36,629
Total Program Revenues	<u>2,111,734</u>	<u>2,021,792</u>
General Revenues:		
Property Taxes Levied for General Purposes	7,453,345	10,308,981
Property Taxes Levied for Permanent Improvements	650,154	995,350
Grants and Entitlements	7,573,472	6,859,321
Interest	583,849	470,448
Miscellaneous	226,597	254,656
Total General Revenues	<u>16,487,417</u>	<u>18,888,756</u>
Total Revenues	<u>18,599,151</u>	<u>20,910,548</u>
<u>Expenses</u>		
Instruction:		
Regular	7,012,127	6,657,657
Special	1,017,428	982,844
Vocational	(339)	(18)
Other	960,025	758,404
Support Services:		
Pupils	934,380	915,232
Instructional Staff	348,768	365,749
Board of Education	102,655	52,731
Administration	1,131,170	1,146,362
Fiscal	517,562	569,605
Business	203	816
Operations and Maintenance of Plants	1,827,726	2,039,009
Pupil Transportation	932,336	737,313
Central	140,965	134,643
Non-Instructional Services	824,770	760,226
Extracurricular Activities	806,526	598,185
Capital Outlay	91,819	18,750
Debt Service:		
Principal Retirement	10,137	26,314
Interest and Fiscal Charges	9,433	19,798
Total Expenses	<u>16,667,691</u>	<u>15,783,620</u>
Increase in Net Assets	<u>\$ 1,931,460</u>	<u>\$ 5,126,928</u>

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

Program receipts account for over 11 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees and extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 54 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for over 13 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant portion of cash disbursements, 11 percent. Therefore, over 78 percent of the School District's disbursements are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and unrestricted grants and entitlements.

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
Instruction:				
Regular	\$ 7,012,127	\$ 6,657,657	\$ 6,632,643	\$ 6,330,313
Special	1,017,428	982,844	398,039	317,992
Vocational	(339)	(18)	(339)	(18)
Other	960,025	758,404	960,025	758,404
Support Services:				
Pupils	934,380	915,232	934,380	915,232
Instructional Staff	348,768	365,749	348,768	365,749
Board of Education	102,655	52,731	102,655	52,731
Administration	1,131,170	1,146,362	1,124,617	1,139,897
Fiscal	517,562	569,605	517,562	569,605
Business	203	816	203	816
Operation and Maintenance of Plant	1,827,726	2,039,009	1,827,726	2,039,009
Pupil Transportation	932,336	737,313	908,326	716,684
Central	140,965	134,643	138,535	131,943
Non-Instructional Services	824,770	760,226	(50,149)	(57,073)
Extracurricular Activities	806,526	598,185	601,577	415,682
Capital Outlay	91,819	18,750	91,819	18,750
Debt Service	19,570	46,112	19,570	46,112
Total Expenses	\$ <u>16,667,691</u>	\$ <u>15,783,620</u>	\$ <u>14,555,957</u>	\$ <u>13,761,828</u>

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 89 percent of instruction activities are supported through taxes and other general receipts. Operation of food services was completely funded by program cash receipts for the current fiscal year. This is due to cafeteria sales, state and federal subsidies, and donated commodities for food service. Twenty-five percent of extracurricular activities disbursements are covered by program cash receipts. This is primarily due to music and athletic fees, ticket sales, and gate receipts. For all governmental activities, support from general receipts is 99 percent. It is apparent that the community, as a whole, is the primary support for Bath Local School District students.

The School District's Funds

Total governmental funds had cash receipts of \$18,599,151 and expenditures \$16,667,691. The positive change of \$1,931,460 in fund balance for the year indicates that the School District was able to meet current costs.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the School District amended its General Fund budget as needed. Final budgeted receipts, in the amount of \$15,556,300, were below actual receipts of \$15,564,425. The \$8,125 difference is generally insignificant.

Final disbursements were budgeted at \$14,067,088 while actual disbursements were \$13,612,805. The School District was able to restrict spending below what was anticipated. The School District experienced lower other instruction, administration, and fiscal disbursements than expected. The School District appropriates conservatively in order to cover disbursements.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

Capital Assets and Debt Administration

Capital Assets

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

Debt

The School District had one loan outstanding at the end of the fiscal year, a sewer improvement loan with a balance of \$350,142. For further information regarding the School District's debt see Note 10 to the basic financial statements.

Current Issues

Due to a change in entrance requirements into our vocational school, additional courses and teachers may be added to our high school to ensure our students admission. The high school has begun modifications to the curriculum resulting in new courses and teachers to meet the State of Ohio's new CORE curriculum requirements for high school graduation.

Contacting the School District's Financial Management

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

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BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,942,703
Restricted Cash and Cash Equivalents	781,988
Investments	10,478,681
Total Assets	<u><u>13,203,372</u></u>
<u>Net Assets:</u>	
Restricted For:	
Set Asides	774,978
Debt Service	3,418
Capital Projects	1,288,948
Other Purposes	330,703
School Bus Purchases	7,010
Library Materials:	
Expendable	10,066
Nonexpendable	100,000
Unrestricted	10,688,249
Total Net Assets	<u><u>\$ 13,203,372</u></u>

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2008

	<u>Cash</u>	<u>Program Receipts</u>			
		<u>Disbursements</u>	<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants and</u>
		<u>Services and Sales</u>	<u>Contributions</u>	<u>and Interest</u>	<u>Contributions</u>
<u>Governmental Activities:</u>					
Instructions:					
Regular	\$ 7,012,127	\$ 235,157	\$ 130,633	\$	13,694
Special	1,017,428	24,083	595,306		-
Vocational	(339)	-	-		-
Other	960,025	-	-		-
Support Services:					
Pupils	934,380	-	-		-
Instructional Staff	348,768	-	-		-
Board of Education	102,655	-	-		-
Administration	1,131,170	-	6,553		-
Fiscal	517,562	-	-		-
Business	203	-	-		-
Operation and Maintenance of Plant	1,827,726	-	-		-
Pupil Transportation	932,336	-	17,000		7,010
Central	140,965	-	2,430		-
Non-Instructional Services	824,770	573,244	301,675		-
Extracurricular Activities	806,526	181,949	-		23,000
Capital Outlay	91,819	-	-		-
Debt Service:					
Principal Retirement	10,137	-	-		-
Interest and Fiscal Charges	9,433	-	-		-
Total Governmental Activities	<u>\$ 16,667,691</u>	<u>\$ 1,014,433</u>	<u>\$ 1,053,597</u>	<u>\$</u>	<u>43,704</u>

General Receipts:

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

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

and Change in Net Assets

Governmental
Activities

\$	(6,632,643)
	(398,039)
	339
	(960,025)
	(934,380)
	(348,768)
	(102,655)
	(1,124,617)
	(517,562)
	(203)
	(1,827,726)
	(908,326)
	(138,535)
	50,149
	(601,577)
	(91,819)
	(10,137)
	(9,433)
	<u>(14,555,957)</u>

	7,453,345
	650,154
	7,573,472
	583,849
	226,597
	<u>16,487,417</u>
	1,931,460
	11,271,912
\$	<u><u>13,203,372</u></u>

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS

June 30, 2008

	General	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents \$	1,459,020	\$ 265,992	\$ 217,691	\$ 1,942,703
Restricted Cash and Cash Equivalents	781,988	-	-	781,988
Investments	8,618,522	1,022,956	837,203	10,478,681
Total Assets	10,859,530	1,288,948	1,054,894	13,203,372
<u>Fund Balances:</u>				
Reserved:				
Textbooks	727,836	-	-	727,836
Budget Stabilization	47,142	-	-	47,142
Encumbrances	304,308	786,232	28,747	1,119,287
Bus Purchases	7,010	-	-	7,010
Unreserved:				
Designated for Budget Stabilization	888,000	-	-	888,000
Undesignated, Reported in:				
General Fund	8,885,234	-	-	8,885,234
Special Revenue Funds	-	-	912,663	912,663
Debt Service Fund	-	-	3,418	3,418
Capital Projects Funds	-	502,716	-	502,716
Permanent Fund	-	-	110,066	110,066
Total Fund Balances	\$ 10,859,530	\$ 1,288,948	\$ 1,054,894	\$ 13,203,372

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

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

For the Year Ended June 30, 2008

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Receipts:</u>				
Property Taxes	\$ 7,453,345	\$ 650,154	\$ -	\$ 8,103,499
Intergovernmental	6,588,488	228,854	1,043,354	7,860,696
Interest	488,030	62,604	36,415	587,049
Tuition and Fees	971,137	-	79,192	1,050,329
Extracurricular Activities	-	-	181,949	181,949
Charges for Services	-	-	573,244	573,244
Rentals	1,080	3,200	-	4,280
Miscellaneous	58,563	33,152	139,863	231,578
Total Receipts	<u>15,560,643</u>	<u>977,964</u>	<u>2,054,017</u>	<u>18,592,624</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,540,350	266,452	204,530	7,011,332
Special	656,997	-	360,431	1,017,428
Vocational	(339)	-	-	(339)
Other	957,659	-	2,366	960,025
Support Services				
Pupils	837,587	-	96,793	934,380
Instructional Staff	213,541	-	135,227	348,768
Board of Education	102,655	-	-	102,655
Administration	1,020,313	-	110,857	1,131,170
Fiscal	490,844	13,668	3,066	507,578
Business	203	-	-	203
Operation and Maintenance of Plant	1,493,914	324,509	9,303	1,827,726
Pupil Transportation	793,537	138,799	-	932,336
Central	136,707	-	4,258	140,965
Non-Instructional Services				
Extracurricular Activities	303,764	176,227	326,535	806,526
Capital Outlay	-	91,819	-	91,819
Debt Service:				
Principal Retirement	-	10,137	-	10,137
Interest and Fiscal Charges	-	9,433	-	9,433
Total Disbursements	<u>13,547,732</u>	<u>1,031,044</u>	<u>2,078,136</u>	<u>16,656,912</u>
Excess of Receipts Over (Under) Disbursements	<u>2,012,911</u>	<u>(53,080)</u>	<u>(24,119)</u>	<u>1,935,712</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	3,782	-	2,745	6,527
Refund of Prior Year Receipts	(9,984)	-	(795)	(10,779)
Advances In	159,891	-	160,938	320,829
Advances Out	(160,938)	-	(159,891)	(320,829)
Transfers In	-	-	55,089	55,089
Transfers Out	(55,089)	-	-	(55,089)
Total Other Financing Sources (Uses)	<u>(62,338)</u>	<u>-</u>	<u>58,086</u>	<u>(4,252)</u>
Net Change in Fund Balances	1,950,573	(53,080)	33,967	1,931,460
Fund Balances Beginning of Year	8,908,957	1,342,028	1,020,927	11,271,912
Fund Balances End of Year	<u>\$ 10,859,530</u>	<u>\$ 1,288,948</u>	<u>\$ 1,054,894</u>	<u>\$ 13,203,372</u>

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

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

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$ 7,600,000	\$ 7,452,000	\$ 7,453,345	\$ 1,345
Intergovernmental	5,660,000	6,585,000	6,588,488	3,488
Interest	350,000	487,000	488,030	1,030
Tuition and Fees	885,000	953,700	971,137	17,437
Miscellaneous	74,000	75,600	59,643	(15,957)
Total Receipts	14,569,000	15,553,300	15,560,643	7,343
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,754,040	6,768,449	6,540,350	228,099
Special	657,200	666,200	656,997	9,203
Vocational	-	-	(339)	339
Other	800,000	958,000	957,659	341
Support Services:				
Pupils	834,300	848,300	837,587	10,713
Instructional Staff	236,600	236,800	213,541	23,259
Board of Education	77,000	115,200	102,655	12,545
Administration	1,082,500	1,052,697	1,020,313	32,384
Fiscal	545,300	495,300	490,844	4,456
Business	-	203	203	-
Operation and Maintenance of Plant	1,518,250	1,612,450	1,493,914	118,536
Pupil Transportation	767,900	795,200	793,537	1,663
Central	136,100	140,100	136,707	3,393
Extracurricular Activities	313,100	313,100	303,764	9,336
Total Disbursements	13,722,290	14,001,999	13,547,732	454,267
Excess of Receipts Under Disbursements	846,710	1,551,301	2,012,911	461,610
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	-	3,000	3,782	782
Refund of Prior Year Receipts	-	(10,000)	(9,984)	16
Advances In	-	-	159,891	159,891
Advances Out	-	-	(160,938)	(160,938)
Transfers In	-	-	-	-
Transfers Out	(55,000)	(55,089)	(55,089)	-
Total Other Financing Sources (Uses)	(55,000)	(62,089)	(62,338)	(249)
Net Change in Fund Balance	791,710	1,489,212	1,950,573	461,361
Fund Balance at Beginning of Year	8,775,197	8,775,197	8,775,197	-
Prior Year Encumbrances Appropriated	133,760	133,760	133,760	-
Fund Balance at End of Year	\$ 9,700,667	\$ 10,398,169	\$ 10,859,530	\$ 461,361

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ <u>20,902</u>	\$ <u>14,518</u>
<u>Net Assets:</u>		
Unrestricted	\$ <u>20,902</u>	\$ <u>14,518</u>

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS

For the Year Ended June 30, 2008

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Interest	\$ 959
Gifts and Donations	1,465
Total Additions	<u>2,424</u>
<u>Deductions:</u>	
Scholarships	<u>3,500</u>
Change in Net Assets	(1,076)
Net Assets at Beginning of Year	<u>21,978</u>
Net Assets at End of Year	<u>\$ 20,902</u>

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1936. The School District serves an area of approximately forty-four square miles and is located in Allen County. The School District is the 279th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by sixty-nine classified employees, one hundred and seven certified teaching personnel, and eleven administrative employees who provide services to 1,961 students and other community members. The School District currently operates an elementary school, a middle school, and a high school.

Reporting Entity

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

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

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 2 - Summary of Significant Accounting Policies

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

Basis of Accounting

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

Basis of Presentation

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

Government-Wide Financial Statements

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

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

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

Fund Financial Statements

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

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

Major Funds

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

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

The funds of the financial reporting entity are described below:

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

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

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

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

Budgetary Process

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

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

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

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

Cash and Cash Equivalents

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

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

During fiscal year 2008, investments were limited to federal bonds and STAR Ohio. Federal bonds are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008. 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 2008 was \$488,030.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials, budget stabilization, and school bus purchases.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

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

Property, Plant and Equipment

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

Compensated-Absences

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

Long-Term Obligations

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

Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as expenditures/disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/disbursements to the funds that initially paid for them are not presented on the financial statements.

Extraordinary and Special Items

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

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

Net Assets

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

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

Fund Balance Reserves

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

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

Note 3 - Compliance

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 4 - Deposits and Investments

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

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

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

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

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

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

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 4 - Deposits and Investments - (continued)

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

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

At fiscal year end, the School District had \$100 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

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

At fiscal year end, the carrying amount of the School District's deposits was \$2,760,011 and the bank balance was \$3,033,405. Of the bank balance, \$262,426 was covered by federal depository insurance and \$2,770,979 was uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal District Insurance Corporation.

Investments

	<u>Value of 6-30-08</u>	<u>% of Total Investment</u>	<u>0-1 Year</u>	<u>1-5 Years</u>
Fed Farm Credit Bank Bonds	\$ 825,472	7.88%	\$ -	\$ 825,472
Fed Home Loan Mtg Bonds	946,529	9.03%	245,675	700,854
Fed Home Loan Bank Bonds	3,615,889	34.51%	182,715	3,433,174
Fed National Mtg Bonds	1,108,992	10.58%	249,655	859,337
US Treasury Note	516,305	4.93%	-	516,305
STAR Ohio	3,465,494	33.07%	3,465,494	-
Totals	<u>\$ 10,478,681</u>	<u>100.00%</u>	<u>\$ 4,143,539</u>	<u>\$ 6,335,142</u>

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 4 - Deposits and Investments - (continued)

Interest Rate Risk

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

Credit Risk

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

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

The School District's investments at June 30, 2008, in Federal Bonds and Star Ohio are rated AAA and AAAM, respectively by Standard & Poor's.

Concentration Risk

The School District's policy places no limit on the amount the District may invest in any one issuer. It is required that the District's portfolio remain sufficiently liquid to meet reasonably anticipated operational requirements. 100% of the District's investments are in Federal Bonds and Star Ohio. These investments are 67% and 33%, respectively of the District's total investments for the amounts listed above.

Note 5 - Property Taxes

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 5 - Property Taxes - (continued)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Allen County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2008, are available to finance fiscal year 2008 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 2008 taxes were collected are:

	Collections	
	Amount	Percent
Agricultural/Residential	\$ 147,731,860	62.47 %
Industrial/Commercial	57,766,290	24.43
Public Utility	17,385,280	7.35
Tangible Personal	13,603,610	5.75
Total Assessed Value	\$ 236,487,040	100.00 %
Tax rate per \$1,000 of assessed valuation	\$ 33.86	

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 6 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted for the following insurance coverage:

Coverage provided by Ohio School Plan is as follows:

Buildings and Contents - replacement cost (\$2,500 deductible)	\$	39,531,065
Employee Theft - per Loss		50,000
Liability	\$	2,000,000
Uninsured Motorists		1,000,000
Underinsured Motorists		1,000,000
General School District Liability		
Per Occurrence	\$	1,000,000
Aggregate		3,000,000
Employers Liability		1,000,000
Employee Benefits Liability		
Each 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.

For fiscal year 2008, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 7 - Defined Benefit Pension Plans

State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling 1-888-227-7877, or by visiting their website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage of up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Upon termination of a reemployed member, or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006 was \$903,600, \$901,344 and \$888,108 respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 7 - Defined Benefit Pension Plans

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853, or by visiting their website at www.ohsers.org.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2008 was 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended; up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$298,284, \$284,748, and \$284,508, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2008, some of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 8 – Post-employment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2008, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$64,543.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 8 – Post-employment Benefits - (continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$4.1 billion at June 30, 2007, (the latest information available). For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$70,736 for fiscal year 2008.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2007, the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,492 participants eligible to receive benefits.

Note 9 - Other Employee Benefits

Compensated Absences

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

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

Health Care Benefits

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 10- Debt Obligations

At June 30, 2008, the School District had one outstanding debt obligation.

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

Principal Outstanding 6/30/2007	Additions	Deductions	Principal Outstanding 6/30/2008
\$ <u>360,279</u>	\$ <u>-</u>	\$ <u>(10,137)</u>	\$ <u>350,142</u>

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2008, were as follows:

Fiscal Year Ending	Sewer Improvements Project Loan		Total Due
	Principal	Interest	
2009	\$ 31,406	\$ 27,182	\$ 58,588
2010	22,376	16,647	39,023
2011	23,484	15,489	38,973
2012	24,682	14,272	38,954
2013	25,947	12,994	38,941
2014-2018	150,734	43,406	194,140
2019-2020	71,513	5,880	77,393
Totals	\$ <u>350,142</u>	\$ <u>135,870</u>	\$ <u>486,012</u>

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 11 - Set Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2008, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following table identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2008.

	<u>Textbooks</u>		<u>Capital Improvements</u>		<u>Budget Stabilization</u>
Carryover Balance June 30, 2007	\$ 622,924	\$	-	\$	47,142
Required Set-Aside	293,714		293,714		-
Qualifying Expenditures	<u>(188,802)</u>		<u>(868,883)</u>		<u>-</u>
Total	<u>\$ 727,836</u>	\$	<u>(575,169)</u>	\$	<u>47,142</u>
 Balance Carried Forward to Subsequent Year	 <u>\$ 727,836</u>	 \$	 <u>-</u>		

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 12 - Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2008, the School District paid \$15,098 to NOACSC for various services. Financial information can be obtained from Ray Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

Apollo Joint Vocational School

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

West Central Ohio Special Education Regional Resource Center

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

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

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

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 12- Jointly Governed Organizations - (continued)

Northwestern Ohio Educational Research Council, Inc.

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

Note 13- Insurance Pools

Ohio School Plan

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 13 - Insurance Pools - (continued)

Allen County Schools Health Benefits Plan

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

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

OASBO/Sheakley Workers' Compensation Group Rating Plan

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

Note 14 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

Litigation

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

Note 15 – Subsequent Events

The contract between Bath Local School District and the Bath Education Association (Teacher's Union) expired on June 30, 2008. As of the date of this report, November 11, 2008, no new agreement has been reached and the School District and Union Representatives are currently in mediation. Teachers are currently working under the terms of the expired contract.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES - CASH BASIS

For the Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/ <u>Program Titles</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>
<u>U.S. Department of Education</u>		
(Passed-Through Ohio Department of Education)		
Special Education Grants, IDEA - Part B	045765-6BSF-2007 045765-6BSF-2008	84.027 84.027
Education Consolidation and Improvement Act of 1981	045765-C1S1-2007 045765-C1S1-2008	84.010 84.010
Drug Free School Grant	045765-DRS1-2007 045765-DRS1-2008	84.186 84.186
Innovative Education Program Strategy	045765-C2S1-2007 045765-C2S1-2008	84.298 84.298
Education Technology State Grants	045675-TJS1-2007 045765-TJS1-2008	84.318 84.318
Improving Teacher Quality State Grants	045675-TRS1-2007 045675-TRS1-2008	84.367 84.367
Total U.S. Department of Education		
<u>U.S. Department of Agriculture</u>		
(Passed-Through Ohio Department of Education)		
Child Nutrition Cluster:		
National School Breakfast Program		10.553
National School Lunch Program		10.555
Total Child Nutrition Cluster		
Food Distribution Program (at Fair Market Value)		10.550

Total U. S. Department of Agriculture

Total Federal Financial Assistance

Note A - Significant Accounting Policies

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

Note B - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2008, the District had \$10,165 of food commodities in inventory.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$ -	\$ -	\$ 27,191	\$ -
417,915	-	403,378	-
<u>417,915</u>	<u>-</u>	<u>430,569</u>	<u>-</u>
-	-	9,291	-
177,391	-	178,438	-
<u>177,391</u>	<u>-</u>	<u>187,729</u>	<u>-</u>
-	-	205	-
6,035	-	5,857	-
<u>6,035</u>	<u>-</u>	<u>6,062</u>	<u>-</u>
-	-	337	-
2,867	-	2,535	-
<u>2,867</u>	<u>-</u>	<u>2,872</u>	<u>-</u>
-	-	459	-
3,190	-	3,190	-
<u>3,190</u>	<u>-</u>	<u>3,649</u>	<u>-</u>
35,931	-	44,762	-
51,670	-	46,581	-
<u>87,601</u>	<u>-</u>	<u>91,343</u>	<u>-</u>
<u>694,999</u>	<u>-</u>	<u>722,224</u>	<u>-</u>
41,012	-	41,012	-
251,574	-	251,574	-
<u>292,586</u>	<u>-</u>	<u>292,586</u>	<u>-</u>
-	123,616	-	125,527
292,586	123,616	292,586	125,527
<u>\$ 987,585</u>	<u>\$ 123,616</u>	<u>\$ 1,014,810</u>	<u>\$ 125,527</u>

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Steven D. Hooker, CPA • John E. Klay, CPA

November 11, 2008

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

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

Auditor of State of Ohio
Columbus, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bath Local School District, Allen County, Ohio, (the School District) as of and for the fiscal year ended June 30, 2008, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 11, 2008, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or another matter that we must report under Government Auditing Standards which is described in the accompanying schedule of findings as item 2008-8120-001.

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





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November 11, 2008

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

Board of Education
Bath Local School District
Allen County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

Compliance

We have audited the compliance of Bath Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Bath Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bath Local School District's management. Our responsibility is to express an opinion on Bath Local School District's compliance based on our audit.

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

In our opinion, Bath Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

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

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

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



BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

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

June 30, 2008

A. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under .510?	No
(d)(1)(vii)	Major Programs (list): Special Education Grants, Idea - Part B	CFDA #84.027 IDEA-B
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

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

June 30, 2008

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

Finding Number 2008-8120-001

Noncompliance Citation –

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements in accordance with cash-basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements omit assets, liabilities, fund equities, and disclosure that, while presumably material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

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

C. Findings and Questioned Costs for Federal Awards

None

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

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

June 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-8120-001	ORC 117.38 and OAC 117-2-03(B) - District filed cash basis financial statements.	NO	Reissued as Finding 2008-8120-001



Mary Taylor, CPA
Auditor of State

BATH LOCAL SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 18, 2008**