

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2003



**Auditor of State
Betty Montgomery**

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, 2002 through June 30, 2003. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 15, 2004

This Page is Intentionally Left Blank.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT -----	Page	1
MANAGEMENT'S DISCUSSION AND ANALYSIS -----		3
BASIC FINANCIAL STATEMENTS -		
GOVERNMENT-WIDE FINANCIAL STATEMENTS -		
STATEMENT OF NET ASSETS-----		11
STATEMENT OF ACTIVITIES -----		12
FUND FINANCIAL STATEMENTS -		
BALANCE SHEET – GOVERNMENTAL FUNDS -----		14
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES -----		15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS -----		16
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES -----		17
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND -----		18
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS-----		19
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS – FIDUCIARY FUND -----		20
NOTES TO THE BASIC FINANCIAL STATEMENTS -----		21
SCHEDULE OF FEDERAL AWARDS EXPENDITURES - CASH BASIS -----		54
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u> -----		57
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133-----		59
SCHEDULE OF FINDINGS AND QUESTIONED COSTS OMB CIRCULAR A-133§.505 -----		61
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS CIRCULAR A-133§.315(b)-----		63

This Page is Intentionally Left Blank.



E.S. Evans and Company

Certified Public Accountants and Consultants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

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

December 11, 2003

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 as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. The basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Bath Local School District, as of June 30, 2003, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

In accordance with Government Auditing Standards, we have also issued a report dated December 11, 2003 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 grants. 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 inquiries 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 general purpose financial statements taken as a whole.

A handwritten signature in red ink, appearing to read "E. H. ...", is located in the lower right quadrant of the page.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2003

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, 2003. 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 2003 are as follows:

In total, net assets, increased \$484,343, or 43 percent, indicating a significant change from the prior fiscal year. Increases in intergovernmental revenues, tuition and fees; and miscellaneous revenues as well as decreases in pupil transportation and non-instructional services expenses represented the largest amount of this increase in net assets.

General revenues accounted for \$13,114,422, or 86 percent of all revenues, and reflects the School District's significant dependence on property taxes and unrestricted state entitlements.

In November 2002, voters renewed the School District's 3.25 mill Permanent Improvement levy for five years. This levy generates approximately \$800,000 annually and may only be used for maintaining and improving buildings and equipment (including technology) that has a useful life of at least five years.

The School District is a member of the Allen County Schools Health Benefits Plan. Effective January 2003, health insurance rates increased 30 percent, which translates into a \$30,000 per month additional cost to the School District. This increase had a significant impact on the School District's budget and subsequent negotiated agreements, and continues to be a major factor in fiscal decisions.

Although the School District ended the fiscal year in the black, deficits are projected on the five-year forecast in two years. This is primarily due to increased personnel costs (insurance as noted above and negotiated salary increases) and declining tax revenues. The School District's personal property valuation is decreasing because of changes to state law that are phasing out the inventory portion of personal property tax. Recent cuts in state foundation funding have also negatively affected our balances. To compensate for the projected deficit, the Board of Education has placed an emergency levy on the ballot in March 2004. This levy is a combination of a renewal and new levy. Two existing emergency levies will be renewed, with an increase of approximately 2 mills. If this levy passes, it will generate \$4.4 million in new monies over the five year period.

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, 2003

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 2003. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. The basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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. These funds use the accrual basis of accounting.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2003

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2003 compared to fiscal year 2002:

Table 1
Net Assets

	Governmental Activities	
	2003	2002
<u>Assets:</u>		
Current and Other Assets	\$ 12,089,441	\$ 11,658,269
Capital Assets, Net	1,523,218	1,623,184
Total Assets	13,612,659	13,281,453
<u>Liabilities:</u>		
Current and Other Liabilities	10,372,768	10,270,312
Long-Term Liabilities	1,642,258	1,897,851
Total Liabilities	12,015,026	12,168,163
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	1,523,218	1,623,184
Restricted	921,062	536,483
Unrestricted (Deficit)	(846,647)	(1,046,377)
Total Net Assets	\$ 1,597,633	\$ 1,113,290

Total assets increased \$331,206. The increase is primarily due to an increase in cash and cash equivalents at the end of the fiscal year compared to the prior fiscal year. However, this was the result of waiting to pay for obligations until after fiscal year 2003. The School District also experienced increases in intergovernmental receivables and prepaids compared to the prior fiscal year.

Total liabilities decreased \$153,137 largely due to a decrease in long-term liabilities as a result of principal retirement. Overall, however, this decrease was less than 1 percent.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2003

Table 2 reflects the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior fiscal year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Change in Net Assets

	Governmental Activities 2003
<u>Revenues</u>	
Program Revenues:	
Charges for Services and Sales	\$ 1,039,826
Operating Grants, Contributions, and Interest	1,049,984
Capital Grants and Contributions	101,857
Total Program Revenues	2,191,667
General Revenues:	
Property Taxes Levied for General Purposes	7,895,675
Property Taxes Levied for Permanent Improvements	806,664
Grants and Entitlements	4,240,842
Interest	68,442
Gifts and Donations	8,667
Miscellaneous	94,132
Total General Revenues	13,114,422
Total Revenues	15,306,089
<u>Expenses</u>	
Instruction:	
Regular	7,257,541
Special	748,305
Vocational	16
Support Services:	
Pupils	895,732
Instructional Staff	421,960
Board of Education	33,756
Administration	1,187,957
Fiscal	427,981
Business	113,892
Operations and Maintenance of Plants	1,574,129
Pupil Transportation	709,490
Central	115,934
Non-Instructional Services	792,146
Extracurricular Activities	536,713
Interest and Fiscal Charges	6,194
Total Expenses	14,821,746
Increase in Net Assets	\$ 484,343

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2003

Program revenues account for over 14 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales.

The major program expenses for governmental activities are for instruction, which accounts for 54 percent of all governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for over 13 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, 11 percent. Therefore, over 78 percent of the School District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these cost 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 revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003
	<u>2003</u>	<u>2003</u>
Instruction:		
Regular	\$ 7,257,541	\$ 6,716,710
Special	748,305	167,633
Vocational	16	16
Support Services:		
Pupils	895,732	893,963
Instructional Staff	421,960	421,960
Board of Education	33,756	33,756
Administration	1,187,957	1,180,515
Fiscal	427,981	427,981
Business	113,892	113,892
Operation and Maintenance of Plant	1,574,129	1,574,129
Pupil Transportation	709,490	664,133
Central	115,934	111,334
Non-Instructional Services	792,146	11,083
Extracurricular Activities	536,713	306,780
Interest and Fiscal Charges	6,194	6,194
Total Expenses	<u>\$ 14,821,746</u>	<u>\$ 12,630,079</u>

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2003

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 85 percent of instruction activities are supported through taxes and other general revenues. Over 98 percent of non-instructional services were covered by program revenues for the current fiscal year. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service. Over 42 percent of extracurricular activities expenses are covered by program revenues. This is primarily due to music and athletic fees, ticket sales, and gate receipts. For all governmental activities, support from general revenues is 85 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

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$15,193,799 and expenditures \$14,959,316. The positive change of \$238,018 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 2003, the School District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$12,437,500, were below original budgeted revenues, in the amount of \$12,493,000. The \$55,500 difference is generally insignificant. For fiscal year 2003, the School District experienced a decrease in personal property tax valuation and interest revenue has continued to decrease due to a declining economy.

Final expenditures were budgeted at \$13,415,004 while actual expenditures were \$12,642,036. The School District was able to restrict spending below what was anticipated. The School District experienced lower regular instruction, other instruction, administration, and pupil transportation expenditures than expected. The School District appropriates conservatively in order to cover expenditures. However, pupils and extracurricular activities expenditures exceeded final budgeted expenditures by \$103,091 and \$3,332. This was primarily due to the failure by the Board of Education to approve final appropriation modifications by fiscal year end.

Actual General Fund revenues were less than expenditures by \$198,091. The difference can largely be attributed to recording encumbrances for regular instruction, pupils, and pupil transportation, which are reflected as expenditures.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2003

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$1,523,218 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of \$99,966, or 6 percent.

The primary decrease in capital assets for governmental activities was the result of several vehicle disposals. Additions included portable softball/soccer bleachers, a new fire alarm system for the high school, and two boilers for the middle school. For further information regarding the School District's capital assets see Note 9 to the basic financial statements.

Debt

The School District had, several loans outstanding at the end of the fiscal year, an asbestos loan with a balance of \$49,247, a sewer improvement loan with a balance of \$414,192, and an energy conservation loan with a balance of \$65,000. The School District's long-term obligations also include compensated absences. For further information regarding the School District's debt see Note 15 to the basic financial statements.

Current Issues

Effective for the 2004 school year, the Board of Education has adopted open enrollment and all-day, every-day kindergarten. In fiscal year 2003, the School District lost \$290,000 to students leaving under open enrollment. With open enrollment, the School District expects to offset that loss in fiscal year 2004 and gain approximately \$75,000. Some of this revenue is being used to fund the all-day, every-day kindergarten program. Higher academic standards at the kindergarten level necessitate a full-time curriculum for our students.

During fiscal year 2003, the Ohio School Facilities Commission completed an inspection and analysis of the School District's buildings and determined that the high school and middle school qualify for renovation, but the elementary building needs to be replaced.

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.

This page is intentionally left blank.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

STATEMENT OF NET ASSETS

June 30, 2003

		<u>Governmental Activities</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$	2,985,068
Accounts Receivable		20,153
Accrued Interest Receivable		3,456
Intergovernmental Receivable		124,013
Prepaid Items		157,748
Inventory Held for Resale		29,936
Materials and Supplies Inventory		23,373
Property Taxes Receivable		8,745,694
Nondepreciable Capital Assets		245,533
Depreciable Capital Assets, Net		<u>1,277,685</u>
Total Assets		<u>13,612,659</u>
 <u>Liabilities:</u>		
Accounts Payable		378,849
Accrued Wages and Benefits Payable		1,542,251
Intergovernmental Payable		459,996
Accrued Interest Payable		267
Deferred Revenue		7,991,405
Long-Term Liabilities:		
Due Within One Year		192,529
Due In More Than One Year		<u>1,449,729</u>
Total Liabilities		<u>12,015,026</u>
 <u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt		1,523,218
Restricted For:		
Set Asides		300,658
Debt Service		3,418
Capital Projects		252,208
Other Purposes		264,025
Library Materials		
Expendable		753
Nonexpendable		100,000
Unrestricted (Deficit)		<u>(846,647)</u>
Total Net Assets	\$	<u><u>1,597,633</u></u>

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2003

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants Contributions and Interest</u>	<u>Capital Grants and Contributions</u>
<u>Governmental Activities:</u>				
Instructions:				
Regular	\$ 7,257,541	\$ 339,837	\$ 169,109	\$ 31,885
Special	748,305	6,904	573,768	-
Vocational	16	-	-	-
Support Services:				
Pupils	895,732	-	1,769	-
Instructional Staff	421,960	-	-	-
Board of Education	33,756	-	-	-
Administration	1,187,957	-	7,442	-
Fiscal	427,981	-	-	-
Business	113,892	-	-	-
Operation and Maintenance of Plant	1,574,129	-	-	-
Pupil Transportation	709,490	-	20,385	24,972
Central	115,934	-	4,600	-
Non-Instructional Services	792,146	515,152	265,911	-
Extracurricular Activities	536,713	177,933	7,000	45,000
Interest and Fiscal Charges	6,194	-	-	-
Total Governmental Activities	<u>\$ 14,821,746</u>	<u>\$ 1,039,826</u>	<u>\$ 1,049,984</u>	<u>\$ 101,857</u>

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Permanent Improvements
Grants and Entitlements not Restricted to Specific Program:
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - See Note 3

Net Assets End of Year

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

Net (Expense) Revenue
and Change in Net Assets

Governmental
Activities

\$ (6,716,710)
(167,633)
(16)

(893,963)
(421,960)
(33,756)
(1,180,515)
(427,981)
(113,892)
(1,574,129)
(664,133)
(111,334)
(11,083)
(306,780)
(6,194)
(12,630,079)

7,895,675
806,664
4,240,842
68,442
8,667
94,132
13,114,422

484,343

1,113,290
\$ 1,597,633

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003

	General	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalent \$	1,183,329	\$ 971,579	\$ 477,896	\$ 2,632,804
Accounts Receivable	981	-	19,172	20,153
Accrued Interest Receivable	3,456	-	-	3,456
Intergovernmental Receivable	6,328	67	117,618	124,013
Interfund Receivable	30,900	720	-	31,620
Prepaid Items	141,897	-	15,851	157,748
Inventory Held for Resale	-	-	29,936	29,936
Materials and Supplies Inventory	20,919	-	2,454	23,373
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalent:	352,264	-	-	352,264
Property Taxes Receivable	7,933,288	812,406	-	8,745,694
Total Assets	9,673,362	1,784,772	662,927	12,121,061
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Account Payable	130,259	223,958	24,632	378,849
Accrued Wages and Benefits Payable	1,394,450	-	147,801	1,542,251
Intergovernmental Payable	312,736	-	21,929	334,665
Interfund Payable	720	-	30,900	31,620
Deferred Revenue	7,278,127	805,250	72,004	8,155,381
Total Liabilities	9,116,292	1,029,208	297,266	10,442,766
<u>Fund Balances:</u>				
Reserved for Property Taxes	656,386	7,223	-	663,609
Reserved for Textbooks	253,516	-	-	253,516
Reserved for Budget Stabilization	47,142	-	-	47,142
Reserved for Bus Purchase	11,674	-	-	11,674
Reserved for Encumbrances	124,531	155,718	55,105	335,354
<u>Unreserved, Reported in:</u>				
General Fund (Deficit)	(536,179)	-	-	(536,179)
Special Revenue Funds	-	-	190,313	190,313
Permanent Fund	-	-	3,418	3,418
Capital Projects Funds	-	592,623	16,072	608,695
Permanent Fund	-	-	100,753	100,753
Total Fund Balances	557,070	755,564	365,661	1,678,295
Total Liabilities and Fund Balances	\$ 9,673,362	\$ 1,784,772	\$ 662,927	\$ 12,121,061

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2003

Total Governmental Fund Balances		\$	1,678,295
Amounts reported for governmental activities on the statement of net assets are different because of the following:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			1,523,218
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:			
Accounts Receivable	17,897		
Intergovernmental Receivable	55,399		
Property Taxes Receivable	90,680		
			<u>163,976</u>
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds			(125,331)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Accrued Interest Payable	(267)		
Asbestos Loan Payable	(49,247)		
Sewer Improvements Project Payable	(414,192)		
Energy Conservation Loans Payable	(65,000)		
Compensated Absences Payable	(1,113,819)		
			<u>(1,642,525)</u>
Net Assets of Governmental Activities		\$	<u><u>1,597,633</u></u>

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2003

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>				
Property Taxes	\$ 7,860,171	\$ 803,174	\$ -	\$ 8,663,345
Intergovernmental	4,395,638	77,306	800,789	5,273,733
Interest	51,489	14,402	4,820	70,711
Tuition and Fees	247,754	-	79,487	327,241
Extracurricular Activities	-	-	172,731	172,731
Charges for Services	-	-	515,152	515,152
Gifts and Donations	7,000	8,667	-	15,667
Miscellaneous	30,638	50,840	73,741	155,219
Total Revenues	<u>12,592,690</u>	<u>954,389</u>	<u>1,646,720</u>	<u>15,193,799</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,785,199	226,199	148,436	7,159,834
Special	547,595	-	198,385	745,980
Vocational	16	-	-	16
Support Services				
Pupils	860,412	-	49,594	910,006
Instructional Staff	274,181	-	129,428	403,609
Board of Education	33,982	-	-	33,982
Administration	1,129,863	267	100,962	1,231,092
Fiscal	408,428	14,024	369	422,821
Business	123,098	-	-	123,098
Operation and Maintenance of Plant	1,261,418	95,732	10,500	1,367,650
Pupil Transportation	634,749	-	2,865	637,614
Central	80,337	-	13,734	94,071
Non-Instructional Services				
Extracurricular Activities	310,150	2,000	232,804	544,954
Capital Outlay	-	317,215	23,142	340,357
Debt Service:				
Principal Retirement	-	189,434	-	189,434
Interest and Fiscal Charges	-	7,066	-	7,066
Total Expenditures	<u>12,449,428</u>	<u>851,937</u>	<u>1,657,951</u>	<u>14,959,316</u>
Excess of Revenues Over (Under) Expenditures	<u>143,262</u>	<u>102,452</u>	<u>(11,231)</u>	<u>234,483</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Fixed Assets	3,535	-	-	3,535
Transfers In	-	-	30,000	30,000
Transfers Out	(30,000)	-	-	(30,000)
Total Other Financing Sources (Uses)	<u>(26,465)</u>	<u>-</u>	<u>30,000</u>	<u>3,535</u>
Net Change in Fund Balances	116,797	102,452	18,769	238,018
Fund Balances at Beginning of Year - See Note 3	440,273	653,112	346,892	1,440,277
Fund Balances at End of Year	<u>\$ 557,070</u>	<u>\$ 755,564</u>	<u>\$ 365,661</u>	<u>\$ 1,678,295</u>

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds	\$	238,018
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current year:		
Capital Outlay	\$ 57,587	
Depreciation	<u>(153,954)</u>	(96,367)
The proceeds from the sale of capital assets are reported as an other financing source in the governmental funds. However, the cost of the capital assets is removed from the capital assets account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.		
Proceeds from the Sale of Capital Assets	(3,535)	
Loss on Disposal of Capital Assets	<u>(64)</u>	(3,599)
Revenues on the statements of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Property Taxes	38,994	
Intergovernmental	55,399	
Tuition and Fees	12,259	
Extracurricular Activities	5,202	
Miscellaneous	<u>436</u>	112,290
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
Asbestos Removal Loan	14,070	
Sewer Improvement Project Loan	24,364	
Energy Conservation Loans	<u>151,000</u>	189,434
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets.		
Accrued Interest Payable		872
Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:		
Intergovernmental Payable	(22,464)	
Compensated Absences Payable	<u>66,159</u>	43,695
Change in Net Assets of Governmental Activities	\$	<u><u>484,343</u></u>

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$ 7,819,000	\$ 7,740,000	\$ 7,739,010	\$ (990)
Intergovernmental	4,352,000	4,394,000	4,395,638	1,638
Interest	70,000	46,400	49,672	3,272
Tuition and Fees	247,000	241,200	242,566	1,366
Gifts and Donations	-	7,000	7,000	-
Miscellaneous	5,000	8,900	10,059	1,159
Total Revenues	<u>12,493,000</u>	<u>12,437,500</u>	<u>12,443,945</u>	<u>6,445</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,926,693	6,997,103	6,478,145	518,958
Special	542,800	542,800	534,570	8,230
Vocational	430	430	16	414
Other	470,000	476,127	352,177	123,950
Support Services:				
Pupils	747,800	762,719	865,810	(103,091)
Instructional Staff	282,200	288,448	281,281	7,167
Board of Education	34,700	42,910	39,522	3,388
Administration	1,188,300	1,216,826	1,149,756	67,070
Fiscal	424,200	427,162	413,449	13,713
Business	125,400	126,936	124,342	2,594
Operation and Maintenance of Plant	1,318,781	1,341,053	1,297,824	43,229
Pupil Transportation	743,900	790,290	703,404	86,886
Central	84,200	84,200	80,408	3,792
Extracurricular Activities	318,000	318,000	321,332	(3,332)
Total Expenditures	<u>13,207,404</u>	<u>13,415,004</u>	<u>12,642,036</u>	<u>772,968</u>
Excess of Revenues				
Under Expenditures	<u>(714,404)</u>	<u>(977,504)</u>	<u>(198,091)</u>	<u>779,413</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Fixed Assets	-	3,500	3,535	35
Refund of Prior Year Expenditures	30,000	26,400	26,618	218
Advances In	-	-	174,142	174,142
Advances Out	-	(25,000)	(205,042)	(180,042)
Transfers Out	-	-	(30,000)	(30,000)
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>4,900</u>	<u>(30,747)</u>	<u>(35,647)</u>
Net Change in Fund Balance	(684,404)	(972,604)	(228,838)	743,766
Fund Balance at Beginning of Year	1,289,805	1,289,805	1,289,805	-
Prior Year Encumbrances Appropriated	152,531	152,531	152,531	-
Fund Balance at End of Year	<u>\$ 757,932</u>	<u>\$ 469,732</u>	<u>\$ 1,213,498</u>	<u>\$ 743,766</u>

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2003

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ <u>20,731</u>	\$ <u><u>11,914</u></u>
<u>Liabilities:</u>		
Undistributed Assets	-	870
Due to Students	-	<u>11,044</u>
<u>Total Liabilities</u>	<u>-</u>	\$ <u><u>11,914</u></u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$ <u><u>20,731</u></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
FIDUCIARY FUND
For the Year Ended June 30, 2003

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Interest	\$ 301
Gifts and Donations	<u>6,030</u>
Total Additions	6,331
<u>Deductions:</u>	
Non-Instructional Services	<u>3,500</u>
Change in Net Assets	2,831
Net Assets at Beginning of Year	<u>17,900</u>
Net Assets at End of Year	<u>\$ 20,731</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, 2003

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 seventy-six classified employees, one hundred and sixteen certified teaching personnel, and twelve administrative employees who provide services to 2,026 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 Ohio School Boards Association Workers' Compensation Group Rating Plan; and the Allen County Schools Health Benefits Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Bath Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

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 expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues 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. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

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

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.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's two major funds are the General Fund and the Permanent Improvement capital projects fund.

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.

The other governmental funds of the School District account for grants and other resources whose use are restricted to a particular purpose.

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, 2003

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

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

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

Revenues - Exchange and Nonexchange Transactions – (continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, and charges for services.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

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 revenue 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.

Cash and Investments

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

During fiscal year 2003, investments were limited to nonnegotiable certificates of deposit, which are reported at cost, and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

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

Cash and Investments – (continued)

The Board of Education has allocated interest earnings according to board resolution and State statutes. Interest revenue credited to the General Fund during fiscal year 2003 was \$51,489, which includes \$4,407 assigned from other School District funds.

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

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 unexpended revenues restricted for the purchase of school buses.

Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

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

Capital Assets – (continued)

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	10 - 50 years
Buildings and Building Improvements	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 35 years
Vehicles	5 - 35 years

Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

Compensated-Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those 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 an expense 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 property taxes, textbooks, budget stabilization, bus purchase, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

Interfund Transactions

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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/expenses to the funds that initially paid for them are not presented on the financial statements.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

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

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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 - Change in Accounting Principles, Correction of an Error, and Restatement of Fund Balance

Change in Accounting Principles

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the School District uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the General Fund and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 3 - Change in Accounting Principles. Correction of an Error. And Restatement of Fund Balance - (continued)

Change in Accounting Principles – (continued)

In fiscal year 2003, the School District began recording inventory according to the consumption method. In prior years, it was recorded using the purchase method.

Correction of an Error

Capital assets were improperly recorded in prior years. As a result, capital assets were restated, in the amount of \$12,758,210 at June 30, 2002.

Restatement of Fund Balance

The restatement due to the implementation of the above statements and interpretation had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of governmental activities is also presented:

	General	Permanent Improvement	Other Governmental	Total Governmental Activities
Fund Balance June 30, 2002	\$ 397,663	\$ 653,112	\$ 163,547	\$ 1,214,322
Elimination of Interfund Advances Rec/Pay	24,000	-	(24,000)	-
Elimination of Cap Assets - Proprietary Fund	-	-	(16,144)	(16,144)
Correction of an Error	-	-	17	17
Change in Accounting Principle	-	-	7,248	7,248
GASB Interpretation No. 6 Adjustment:				
Compensated Absences Payable	17,030	-	-	17,030
GASB Statement No. 34 Adjustment:				
Change in Fund Structure	1,580	-	216,224	217,804
Adjusted Fund Balance	<u>\$ 440,273</u>	<u>\$ 653,112</u>	<u>\$ 346,892</u>	<u>1,440,277</u>
GASB Statement No. 34 Adjustment:				
Property Taxes Receivable				51,686
Capital Assets				1,623,184
Intergovernmental Payable				(102,867)
Accrued Interest Payable				(1,139)
Asbestos Loan Payable				(63,317)
Sewer Improvement Project Loan Payable				(438,556)
Energy Conservation Loans Payable				(216,000)
Compensated Absences Payable				<u>(1,179,978)</u>
Governmental Activities Net Assets at June 30, 2002				<u>\$ 1,113,290</u>

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 4 - Accountability and Compliance

Accountability

At June 30, 2003, the Food Service, Education Management Information Systems, Summer Intervention, Eisenhower, Title VI-B, and Title I special revenue funds had deficit fund balances, in the amount of \$2,946, \$1,724, \$642, \$1,250, \$2,958, and \$16,684, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Compliance

For the fiscal year ended June 30, 2003, the Education Management Information Systems and Summer Intervention special revenue funds had appropriations in excess of estimated resources plus available balances, in the amount of \$3,551 and \$1,382, respectively.

The following accounts had expenditures in excess of appropriations for the fiscal year ended June 30, 2003.

<u>Fund Type/Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General - Major Fund			
Special Instruction/Fringe Benefits	\$ 136,300	\$ 136,494	\$ 194
Special Instruction/Purchased Services	4,000	7,036	3,036
Pupils/Purchased Services	364,214	487,592	123,378
Instructional Staff/Materials and Supplies	24,272	27,733	3,461
Instructional Staff/Capital Outlay- Replacement	-	640	640
Board of Education/Fringe Benefits	5,500	5,890	390
Business/Fringe Benefits	33,300	34,000	700
Extracurricular Activities/Sport Oriented Activities-Salaries	235,000	237,483	2,483
Extracurricular Activities/Sport Oriented Activities-Fringe Benefits	35,000	37,542	2,542
Transfers Out	-	30,000	30,000
Permanent Improvement - Major Fund			
Regular Instruction/Materials and Supplies	122,909	132,755	9,846
Regular Instruction/Capital Outlay-New	136,459	146,801	10,342
Operation and Maintenance of Plant/ Capital Outlay-New	1,200	9,075	7,875
Operation and Maintenance of Plant/ Capital Outlay-Replacement	229,045	240,589	11,544

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 4- Accountability and Compliance - (continued)

<u>Fund Type/Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Reveue Funds			
Educational Management Information Systems			
Administration/Fringe Benefits	\$ 15,000	\$ 15,433	\$ 433
Title VI-B			
Pupils/Purchased Servies	28,175	47,825	19,650
Administration/Purchased Services	2,393	2,500	107
Title I			
Special Instruction/Purchased Services	6,800	7,818	1,018
Instructional Staff/Fringe Benefits	5,820	6,295	475
Title VI			
Regular Instruction/Salaries	675	1,675	1,000
Instructional Staff/Fringe Benefits	1,803	1,939	136
Drug Free			
Regular InstructionFringe Benefits	-	114	114
Instructional Staff/Materials and Supplies	1,315	2,109	794
Adinistration/Capital Outlay-New	1,789	3,052	1,263
Title II-D			
Instructional Staff/Purchased Services	5,550	7,862	2,312
Miscellaneous Federal Grants			
Special Instruction/Capital Outlay-New	-	654	654
Capital Projects Funds			
SchoolNet Plus			
Central/Materials and Supplies	-	1,723	1,723
Interactive Video Distance Learning			
Central/Purchased Services	2,017	2,500	483
Permanent Fund			
Frances Graham High School Library			
Instructional Staff/Capital Outlay-New	1,500	4,102	2,602

The Board of Education is monitoring their budgetary controls to avoid future violations of budgetary compliance.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis areas follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Net Change in Fund Balances	
GAAP Basis	\$ 116,797
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2002, Received in Cash FY 2003	543,096
Accrued FY 2003, Not Yet Received in Cash	(665,206)
Expenditure Accruals:	
Accrued FY 2002, Paid In Cash FY 2003	(1,596,780)
Accrued FY 2003, Not Yet Paid in Cash	1,837,445
Cash Adjustments:	
Unrecorded Activity FY 2003	(17)
Prepaid Items	(104,670)
Materials and Supplies Inventory	(6,525)
Advances In	174,142
Advances Out	(205,042)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	<u>(322,078)</u>
Budget Basis	<u><u>\$ (228,838)</u></u>

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 6 - 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; and
6. The State Treasurer's investment pool (STAR Ohio).

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 6 - Deposits and Investments - (continued)

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer, or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$2,211,884 and the bank balance was \$2,449,224. Of the bank balance, \$346,234 was covered by federal depository insurance and \$2,102,990 was uninsured and uncollateralized. Although 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 FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2003, the fair value of funds on deposit with STAR Ohio was \$805,729.

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 6 - Deposits and Investments - (continued)

Reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposit	Investments
GASB Statement No 9	\$ 3,017,713	\$ -
Cash on Hand	(100)	-
Investments:		
STAR Ohio	(805,729)	805,729
GASB Statement No 3	\$ 2,211,884	\$ 805,729

Note 7 - Receivables

Receivables at June 30, 2003, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, interfund, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 7 – Receivables – (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$ 661
State of Ohio	320
Ravenna City School District	1,842
Cleveland Municipal School Districts	2,021
Pandora-Gilboa Local School District	1,484
Total General Fund	<u>6,328</u>
Permanent Improvement Fund	
Homestead and Rollback	<u>67</u>
Total Major Funds	<u>6,395</u>
Other Governmental Funds	
Title VI-B	29,719
Title I	37,453
Title VI	4,790
Title V	1,542
Drug Free	6,796
Title II-A	34,932
Title II-D	2,386
Total Other Governmental Funds	<u>117,618</u>
Total Intergovernmental Receivables	<u>\$ 124,013</u>

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business), property located in the School District. Real property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, 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 revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2001, were levied after April 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. 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.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 8 - Property Taxes - (continued)

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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2003, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$656,386 in the General Fund and \$7,223 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$534,505 in the General Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 106,366,710	36.60 %	\$ 108,827,310	38.08 %
Industrial/Commercial	47,519,540	16.35	47,513,990	16.63
Public Utility	15,844,910	5.45	16,552,810	5.79
Tangible Personal	120,896,709	41.60	112,896,430	39.50
Total Assessed Value	<u>\$ 290,627,869</u>	<u>100.00 %</u>	<u>\$ 285,790,540</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$ 32.15		\$ 32.27	

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 239,533	\$ -	\$ -	\$ 239,533
Construction in Progress	-	6,000	-	6,000
Total Nondepreciable Capital Assets	<u>239,533</u>	<u>6,000</u>	<u>-</u>	<u>245,533</u>
Depreciable Capital Assets				
Land Improvements	142,859	-	-	142,859
Buildings and Building Improvements	2,370,079	22,311	-	2,392,390
Furniture, Fixtures, and Equipment	407,777	29,276	(62,713)	374,340
Vehicles	1,400,479	-	(213,120)	1,187,359
Total Depreciable Capital Assets	<u>4,321,194</u>	<u>51,587</u>	<u>(275,833)</u>	<u>4,096,948</u>
Less Accumulated Depreciation				
Land Improvements	(76,981)	(3,262)	-	(80,243)
Buildings and Building Improvements	(1,672,360)	(49,382)	-	(1,721,742)
Furniture, Fixtures, and Equipment	(237,469)	(37,629)	62,713	(212,385)
Vehicles	(950,733)	(63,681)	209,521	(804,893)
Total Accumulated Depreciation	<u>(2,937,543)</u>	<u>(153,954)</u>	<u>272,234</u>	<u>(2,819,263)</u>
Depreciable Capital Assets, Net	<u>1,383,651</u>	<u>(102,367)</u>	<u>(3,599)</u>	<u>1,277,685</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,623,184</u>	<u>\$ (96,367)</u>	<u>\$ (3,599)</u>	<u>\$ 1,523,218</u>

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 9- Capital Assets - (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	41,065
Special		1,458
Support Services:		
Pupils		750
Instructional Staff		1,000
Administration		2,703
Fiscal		125
Business		125
Operation and Maintenance of Plant		10,848
Pupil Transportation		65,922
Non-Instructional Services		10,674
Extracurricular Activities		19,284
Total Depreciation Expense	\$	<u>153,954</u>

Note 10 - Interfund Assets/Liabilities

At June 30, 2003, the General Fund and the Permanent Improvement capital projects had interfund receivables, in the amount of \$30,900 and \$720, respectively, resulting from the provision of cash flow resources from the General Fund until the receipt of grant monies by the other governmental funds and for taxes in the Permanent Improvement capital projects fund. The General Fund and Other Governmental funds had interfund payables, in the amount of \$720 and \$30,900, respectively.

Note 11 - 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 2003, the School District contracted for the following insurance coverage.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 11 - Risk Management - (continued)

Coverage provided by Mid-American Fire and Casualty Company is as follows:

Buildings and Contents - replacement cost (\$2,500 deductible)	\$	40,066,000
Inland Marine (\$500 deductible)		853,000

Coverage provided by Auto Owners Insurance Agency is as follows:

Liability	\$	1,000,000
Uninsured Motorists		1,000,000
Underinsured Motorists		1,000,000

Coverage provided by Ohio School Plan is as follows:

General School District Liability	\$	1,000,000
Per Occurrence		3,000,000
Aggregate		1,000,000
Employers Liability		
Employee Benefits Liability		
Each Occurrence		1,000,000
Aggregate		3,000,000

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 11 - Risk Management - (continued)

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 2003, 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.

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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.

Note 12 - 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.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 12- Defined Benefit Pension Plans - (continued)

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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 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.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001 was \$811,679, \$592,594, and \$556,291, respectively; 83 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$28 made by the School District and \$495 made by plan members.

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.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 12 - Defined Benefit Pension Plans (continued)

School Employees Retirement System – (continued)

For the fiscal year ended June 30, 2003, plan members were required to contribute 9 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 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, 2003, 2002, and 2001 were \$147,041, \$106,153, and \$82,788, respectively; 40 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001.

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, 2003, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 – Postemployment 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 2003, 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 \$62,439.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 13- Postemployment Benefits - (continued)

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 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 2003, the minimum pay was established at \$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$130,144 for fiscal year 2003.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefit of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 14 - 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 Coresource.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 15- Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	<u>Balance at</u> <u>6/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>6/30/03</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities					
General Long-Term Obligations					
Asbestos Loan					
FY 1999 0.0%	\$ 63,317	\$ -	\$ 14,070	\$ 49,247	\$ 14,070
Sewer Improvement Project Loan					
FY 1993 5.0%	438,556	-	24,364	414,192	24,364
Energy Conservation Loans					
FY 1993 4.5-5.3%	<u>216,000</u>	<u>-</u>	<u>151,000</u>	<u>65,000</u>	<u>65,000</u>
Total General Long-Term Obligations	717,873	-	189,434	528,439	103,434
Compensated Absences Payable	<u>1,179,978</u>	<u>-</u>	<u>66,159</u>	<u>1,113,819</u>	<u>89,095</u>
Total Governmental Activities Long-Term Obligations	<u>\$ 1,897,851</u>	<u>\$ -</u>	<u>\$ 255,593</u>	<u>\$ 1,642,258</u>	<u>\$ 192,529</u>

Asbestos Loan - On March 25, 1987, the School District obtained an interest free loan, in the amount of \$253,263 from the United States Environmental Protection Agency for asbestos removal. The loan was issued for a twenty-year period, with final maturity in fiscal year 2007. The loan is being repaid from the Permanent Improvement capital projects fund.

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.

Energy Conservation Loans - On June 30, 1993, January 20, 1994, and June 1, 1994, the School District obtained loans in the amount of \$721,761, \$125,000, and \$400,000, respectively, to provide energy conservation measures for the School District. The loans are being repaid over a ten year period and have interest rates of 4.85 percent, 4.50 percent, and 5.30 percent, respectively. The fiscal year 1993 loan was fully retired in fiscal year 2003. The remaining loans will be retired in fiscal year 2004.

Compensated absences will be paid from the General Fund and Food Service special revenue fund.

The School District's overall debt margin was \$25,721,149 with an unvoted debt margin of \$285,791 at June 30, 2003.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 15- Long-Term Obligations - (continued)

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2003, were as follows:

Fiscal Year Ending	Asbestos Loan	Sewer Improvements Project Loan		Energy Conservation Loans	
	Principal	Principal	Interest	Principal	Interest
2004	\$ 14,070	\$ 24,364	\$ 20,710	\$ 65,000	\$ 1,663
2005	14,070	24,364	19,491	-	-
2006	14,070	24,364	18,273	-	-
2007	7,037	24,364	17,055	-	-
2008	-	24,364	15,837	-	-
2009 - 2013	-	121,820	60,911	-	-
2014 - 2018	-	121,820	30,455	-	-
2019 - 2020	-	48,732	3,654	-	-
Totals	\$ 49,247	\$ 414,192	\$ 186,386	\$ 65,000	\$ 1,663

Note 16 - 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, 2003, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2003.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2002	\$ 180,206	\$ -	\$ 47,142
Current Year Set Aside Requirement	261,585	261,585	-
Qualifying Expenditures	(188,275)	(261,585)	-
Balance June 30, 2003	\$ 253,516	\$ -	\$ 47,142

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 17 - Interfund Transfers

During fiscal year 2003, the General Fund made transfers to other governmental funds, in the amount of \$30,000, to provide resources to subsidize activities of the Education Management Information Systems special revenue fund.

Note 18- 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 2003, the School District paid \$11,819 to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, 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.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 18- Jointly Governed Organizations - (continued)

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.

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 19- 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.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003

Note 19 - 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 the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Don Smith, who serves as Chairman, 204 North Main Street, Lima, Ohio 45801.

Note 20 - State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Note 21 - 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 is 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, 2003.

Litigation

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

This page is intentionally left blank.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES - CASH BASIS

For the Year Ended June 30, 2003

Federal Grantor/ Pass-Through Grantor/ <u>Program Titles</u>	Pass Through Entity <u>Number</u>	Federal CFDA <u>Number</u>
<u>U.S. Department of Education</u>		
(Passed-Through Ohio Department of Education)		
Handicapped Preschool and School Program Title VI-B	045765-6B-SF-2002-P 045765-6B-SF-2003-P	84.027 84.027
Education Consolidation and Improvement Act of 1981	045765-C1-S1-2002 045765-C1-S1-2003	84.010 84.010
Innovative Education Program Strategy	045765-C2-S1-2002 045765-C2-S1-2003	84.298 84.298
Drug Free School Grant	045765-DR-S1-2002 045765-DR-S1-2003	84.186 84.186
Eisenhower Professional Development	045765-MS-S1-2001 045765-MS-S1-2002	84.281 84.281
Class Size Reduction Title VI-R	045765-CR-S1-2002	84.340
School Renovation Grants	045675-AT-S3-2002	84.352
Education Technology State Grants	045675-TJ-S1-2003	84.318
Improving Teacher Quality State Grants	045675-TR-S1-2003	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
Food Distribution Program (at Fair Market Value)		10.550
Total Child Nutrition Cluster		
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, 2003, the District had \$13,326 of food commodities in inventory.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$ 1,440	\$ -	\$ 15,320	\$ -
<u>143,356</u>	<u>-</u>	<u>158,239</u>	<u>-</u>
<u>144,796</u>	<u>-</u>	<u>173,559</u>	<u>-</u>
(3,785)	-	24,537	-
<u>184,955</u>	<u>-</u>	<u>176,177</u>	<u>-</u>
<u>181,170</u>	<u>-</u>	<u>200,714</u>	<u>-</u>
2,729	-	7,822	-
<u>9,773</u>	<u>-</u>	<u>4,007</u>	<u>-</u>
<u>12,502</u>	<u>-</u>	<u>11,829</u>	<u>-</u>
3,835	-	7,687	-
<u>2,643</u>	<u>-</u>	<u>1,547</u>	<u>-</u>
<u>6,478</u>	<u>-</u>	<u>9,234</u>	<u>-</u>
-	-	165	-
<u>490</u>	<u>-</u>	<u>490</u>	<u>-</u>
<u>490</u>	<u>-</u>	<u>655</u>	<u>-</u>
<u>15,017</u>	<u>-</u>	<u>26,643</u>	<u>-</u>
<u>654</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,600</u>	<u>-</u>	<u>2,971</u>	<u>-</u>
<u>45,190</u>	<u>-</u>	<u>41,191</u>	<u>-</u>
<u>409,897</u>	<u>-</u>	<u>466,796</u>	<u>-</u>
21,794	-	21,794	-
<u>150,294</u>	<u>-</u>	<u>150,294</u>	<u>-</u>
-	83,828	-	77,749
<u>172,088</u>	<u>83,828</u>	<u>172,088</u>	<u>77,749</u>
<u>172,088</u>	<u>83,828</u>	<u>172,088</u>	<u>77,749</u>
<u>\$ 581,985</u>	<u>\$ 83,828</u>	<u>\$ 638,884</u>	<u>\$ 77,749</u>

This page is intentionally left blank.



E.S. Evans and Company

Certified Public Accountants and Consultants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

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

December 11, 2003

**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH 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 accompanying financial statements of Bath Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 11, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether Bath Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Bath Local School District in a separate letter dated December 11, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bath Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Bath Local School District in a separate letter dated December 11, 2003.

This report is intended for the information of the management, Board of Education, Auditor of State of Ohio and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in red ink, appearing to read "E. J. G... and ...", is located in the lower right quadrant of the page.



E.S. Evans and Company

Certified Public Accountants and Consultants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

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

December 11, 2003

**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 and
Allen County, Ohio

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, 2003. 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, 2003.

Internal Control Over Compliance

The management of Bath Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bath Local School District's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, Board of Education, Auditor of State of Ohio and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by 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, 2003

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)?	No
(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): Child Nutrition Cluster	CFDA #10.555 School Lunch Program CFDA #10.553 School Breakfast Prog CFDA#10.550 Food Distribution Prog
(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, 2003

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

None

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, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
-------------------	--------------------	---------------------	---

None

This Page is Intentionally Left Blank.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JANUARY 27, 2004**