

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2005



**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, 2004 through June 30, 2005. 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.

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BETTY MONTGOMERY
Auditor of State

April 11, 2006

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BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

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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)

February 6, 2006

INDEPENDENT AUDITOR'S REPORT

Board of Education
Bath Local School District
Allen County, Ohio

and

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, 2005, 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 opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Bath Local School District, as of June 30, 2005, and the respective changes in modified cash basis financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, we have also issued a report dated February 6, 2006 on our consideration of Bath Local School District 's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

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

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2005

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, 2005. 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 2005 are as follows:

In total, net assets, increased \$1,150,203, or 37 percent, indicating a significant change from the prior fiscal year.

General receipts accounted for \$13,715,339, or 82 percent of all receipts, and reflects the School District's significant dependence on property taxes and unrestricted state entitlements.

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

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

FY 2005 is the second year that financial statements were prepared on the cash basis utilizing the GASB 34 format. The decision to change the basis of reporting was made by the Board of Education in order to save financial resources.

Using the Basic Financial Statements

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

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2005

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 2005 on the cash basis of accounting.

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

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

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

Reporting the School District's Most Significant Funds

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

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

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2005

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal years 2005 and 2004 on the cash basis of accounting. A comparative analysis is provided because this is the second year for government-wide financial statements using the cash basis of accounting.

Table 1
Net Assets

	Governmental Activities	
	2005	2004
<u>Assets:</u>		
Cash and Cash Equivalents	\$ <u>4,231,071</u>	\$ <u>3,080,867</u>
<u>Net Assets:</u>		
Restricted	1,746,645	1,617,186
Unrestricted	2,484,426	1,463,681
Total Net Assets	\$ <u>4,231,071</u>	\$ <u>3,080,867</u>

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2005

Table 2 reflects the changes in net assets for fiscal year 2005. A comparative analysis of government-wide data for FY 2004 and 2005 is presented.

Table 2 -Change in Net Assets

<u>Revenues</u>	Governmental Activities	
	2005	2004
Program Revenues:		
Charges for Services and Sales	\$ 1,026,714	\$ 1,013,999
Operating Grants, Contributions, and Interest	1,019,936	1,059,288
Capital Grants and Contributions	13,930	59,219
Total Program Revenues	2,060,580	2,132,506
General Revenues:		
Property Taxes Levied for General Purposes	8,271,588	7,880,837
Property Taxes Levied for Permanent Improvements	764,849	778,781
Grants and Entitlements	5,201,789	4,723,399
Interest	105,444	58,524
Miscellaneous	274,234	84,871
Total General Revenues	14,617,904	13,526,412
Total Revenues	16,678,484	15,658,918
<u>Expenses</u>		
Instruction:		
Regular	7,067,217	7,151,067
Special	835,142	800,243
Vocational	2	(12)
Other	527,140	370,702
Support Services:		
Pupils	955,319	1,140,464
Instructional Staff	370,633	385,709
Board of Education	54,772	53,840
Administration	1,107,746	1,184,947
Fiscal	494,232	499,413
Business	107,447	130,676
Operations and Maintenance of Plants	1,676,248	1,578,364
Pupil Transportation	894,000	732,162
Central	96,184	103,884
Non-Instructional Services	726,872	742,654
Extracurricular Activities	557,414	556,142
Capital Outlay	3,100	12,732
Debt Service:		
Principal Retirement	31,541	95,683
Interest and Fiscal Charges	23,272	25,703
Total Expenses	15,528,281	15,564,373
Transfers In	-	1,269
Increase in Net Assets	\$ 1,150,203	\$ 95,814

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2005

Program receipts account for over 12 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees and extracurricular activities, and food service sales.

The major program 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 14 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, 11 percent. Therefore, over 79 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 receipts and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
Instruction:				
Regular	\$ 7,067,217	\$ 7,151,067	\$ 6,692,329	\$ 6,743,582
Special	835,142	800,243	184,522	105,069
Vocational	2	(12)	2	(12)
Other	527,140	370,702	527,140	370,702
Support Services:				
Pupils	955,319	1,140,464	953,281	1,138,113
Instructional Staff	370,633	385,709	370,633	385,709
Board of Education	54,772	53,840	54,772	53,840
Administration	1,107,746	1,184,947	1,101,392	1,177,496
Fiscal	494,232	499,413	494,232	499,413
Business	107,447	130,676	107,447	130,676
Operation and Maintenance of Plant	1,676,248	1,578,364	1,716,991	1,578,364
Pupil Transportation	894,000	732,162	867,822	701,070
Central	96,184	103,884	92,044	99,744
Non-Instructional Services	726,872	742,654	(110,793)	(28,668)
Extracurricular Activities	557,414	556,142	398,717	342,651
Capital Outlay	3,100	12,732	3,100	12,732
Debt Service	54,813	121,386	14,070	121,386
Total Expenses	<u>\$ 15,528,281</u>	<u>\$ 15,564,373</u>	<u>\$ 13,467,701</u>	<u>\$ 13,431,867</u>

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2005

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 88 percent of instruction activities are supported through taxes and other general receipts. Operation of food services was completely funded by program receipts for the current fiscal year. This is due to cafeteria sales, state and federal subsidies, and donated commodities for food service. Over 28 percent of extracurricular activities expenses are covered by program receipts. This is primarily due to music and athletic fees, ticket sales, and gate receipts. For all governmental activities, support from general receipts is 88 percent. It is apparent that the community, as a whole, is the primary support for Bath Local School District students.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds had receipts of \$16,674,887 and disbursements \$15,528,024. The positive change of \$1,146,863 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 2005, the School District amended its General Fund budget as needed. Final budgeted receipts, in the amount of \$13,313,730, were below original budgeted receipts, in the amount of \$13,279,800. The \$33,930 difference is generally insignificant.

Final disbursements were budgeted at \$13,624,765 while actual disbursements were \$12,777,166. 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 disbursements than expected. The School District appropriates conservatively in order to cover disbursements.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2005

Debt Administration

Debt

The School District had, two loans outstanding at the end of the fiscal year, an asbestos loan with a balance of \$21,070, and a sewer improvement loan with a balance of \$397,912. For further information regarding the School District's debt see Note 9 to the basic financial statements.

Current Issues

Due to low test scores in special education mathematics, the Board and Administration are in servicing teachers in methods to meet Average Yearly Progress for the requirements of No Child Left Behind. Curriculum changes will be made in the 2006-07 school year.

Contacting the School District's Financial Management

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

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BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

STATEMENT OF NET ASSETS - CASH BASIS

June 30, 2005

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 4,231,071
Total Assets	<u><u>4,231,071</u></u>
<u>Net Assets:</u>	
Restricted For:	
Set Asides	493,044
Debt Service	3,418
Capital Projects	936,304
Other Purposes	210,933
Library Materials:	
Expendable	2,946
Nonexpendable	100,000
Unrestricted	2,484,426
Total Net Assets	<u><u>\$ 4,231,071</u></u>

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS

For the Year Ended June 30, 2005

	Program Revenues				
Expenses	Charges for Services and Sales		Operating Grants Contributions and Interest		Capital Grants and Contributions
<u>Governmental Activities:</u>					
Instructions:					
Regular	\$ 7,067,217	\$ 211,850	\$ 163,038	\$ -	
Special	835,142	85,144	565,476	-	
Vocational	2	-	-	-	
Other	527,140	-	-	-	
Support Services:					
Pupils	955,319	-	2,038	-	
Instructional Staff	370,633	-	-	-	
Board of Education	54,772	-	-	-	
Administration	1,107,746	-	6,354	-	
Fiscal	494,232	-	-	-	
Business	107,447	-	-	-	
Operation and Maintenance of Plant	1,676,248	-	-	-	
Pupil Transportation	894,000	-	12,248	13,930	
Central	96,184	-	4,140	-	
Non-Instructional Services	726,872	571,023	266,642	-	
Extracurricular Activities	557,414	158,697	-	-	
Capital Outlay	3,100	-	-	-	
Debt Service:					
Principal Retirement	31,541	-	-	-	
Interest and Fiscal Charges	23,272	-	-	-	
Total Governmental Activities	\$ 15,528,281	\$ 1,026,714	\$ 1,019,936	\$ 13,930	

General Receipts:

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

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

and Change in Net Assets

Governmental
Activities

\$ (6,692,329)
(184,522)
(2)
(527,140)

(953,281)
(370,633)
(54,772)
(1,101,392)
(494,232)
(107,447)
(1,676,248)
(867,822)
(92,044)
110,793
(398,717)
(3,100)

(31,541)
(23,272)

(13,467,701)

8,271,588
764,849
5,201,789
105,444
114,143
160,091

14,617,904

1,150,203
3,080,868

\$ 4,231,071

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS

June 30, 2005

	General	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,456,405	\$ 936,304	\$ 791,220	\$ 4,183,929
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	47,142	-	-	47,142
Total Assets	2,503,547	936,304	791,220	4,231,071
 <u>Fund Balances:</u>				
Reserved for Textbooks	445,902	-	-	445,902
Reserved for Budget Stabilization	47,142	-	-	47,142
Reserved for Encumbrances	106,649	187,852	65,021	359,522
Unreserved, Reported in:				
General Fund	1,903,854	-	-	1,903,854
Special Revenue Funds	-	-	619,835	619,835
Debt Service Fund	-	-	3,418	3,418
Capital Projects Funds	-	748,452	-	748,452
Permanent Fund	-	-	102,946	102,946
Total Fund Balances	\$ 2,503,547	\$ 936,304	\$ 791,220	\$ 4,231,071

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

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

For the Year Ended June 30, 2005

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Receipts:</u>				
Property Taxes	\$ 8,271,588	\$ 764,849	\$ -	\$ 9,036,437
Intergovernmental	4,650,983	77,807	1,010,172	5,738,962
Interest	73,592	26,849	10,243	110,684
Tuition and Fees	709,925	-	80,165	790,090
Extracurricular Activities	-	-	158,697	158,697
Charges for Services	-	-	571,023	571,023
Rentals	4,760	-	-	4,760
Miscellaneous	4,491	15,124	244,619	264,234
Total Receipts	<u>13,715,339</u>	<u>884,629</u>	<u>2,074,919</u>	<u>16,674,887</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,639,758	173,254	253,948	7,066,960
Special	601,116	-	234,026	835,142
Vocational	2	-	-	2
Other	526,249	-	891	527,140
Support Services				
Pupils	867,681	-	87,638	955,319
Instructional Staff	233,163	-	137,470	370,633
Board of Education	54,772	-	-	54,772
Administration	952,448	46,913	108,385	1,107,746
Fiscal	478,722	14,106	1,404	494,232
Business	107,392	-	55	107,447
Operation and Maintenance of Plant	1,271,720	395,528	9,000	1,676,248
Pupil Transportation	667,861	217,822	8,317	894,000
Central	88,481	-	7,703	96,184
Non-Instructional Services				
Extracurricular Activities	287,801	17,990	251,623	557,414
Capital Outlay	-	3,100	-	3,100
Debt Service:				
Principal Retirement	-	31,541	-	31,541
Interest and Fiscal Charges	-	23,272	-	23,272
Total Expenditures	<u>12,777,166</u>	<u>923,526</u>	<u>1,827,332</u>	<u>15,528,024</u>
Excess of Receipts Over (Under) Disbursements	<u>938,173</u>	<u>(38,897)</u>	<u>247,587</u>	<u>1,146,863</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Disbursements	1,902	-	1,695	3,597
Refund of Prior Year Receipts	-	-	(257)	(257)
Advances In	258,573	-	144,342	402,915
Advances Out	(266,322)	-	(136,593)	(402,915)
Transfers In	-	-	38,412	38,412
Transfers Out	(37,488)	-	(924)	(38,412)
Total Other Financing Sources (Uses)	<u>(43,335)</u>	<u>-</u>	<u>46,675</u>	<u>3,340</u>
Net Change in Fund Balances	894,838	(38,897)	294,262	1,150,203
Fund Balances Beginning of Year	1,608,709	975,201	496,958	3,080,868
Fund Balances End of Year	<u>\$ 2,503,547</u>	<u>\$ 936,304</u>	<u>\$ 791,220</u>	<u>\$ 4,231,071</u>

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

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

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$ 7,944,000	\$ 7,944,000	\$ 8,271,588	\$ 327,588
Intergovernmental	4,595,000	4,608,930	4,650,983	42,053
Interest	45,000	45,000	73,592	28,592
Tuition and Fees	689,000	709,000	709,925	925
Miscellaneous	6,800	6,800	9,251	2,451
Total Receipts	<u>13,279,800</u>	<u>13,313,730</u>	<u>13,715,339</u>	<u>401,609</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	7,099,901	6,981,008	6,639,758	341,250
Special	595,790	612,790	601,116	11,674
Vocational	-	500	2	498
Other	388,000	531,000	526,249	4,751
Support Services:				
Pupils	1,118,955	989,955	867,681	122,274
Instructional Staff	207,318	237,561	233,163	4,398
Board of Education	69,648	77,648	54,772	22,876
Administration	987,805	1,001,555	952,448	49,107
Fiscal	490,280	493,780	478,722	15,058
Business	138,900	138,900	107,392	31,508
Operation and Maintenance of Plant	1,377,824	1,404,624	1,271,720	132,904
Pupil Transportation	675,600	714,423	667,861	46,562
Central	91,400	96,500	88,481	8,019
Extracurricular Activities	344,521	344,521	287,801	56,720
Total Disbursements	<u>13,585,942</u>	<u>13,624,765</u>	<u>12,777,166</u>	<u>847,599</u>
Excess/(Deficiency) of Receipts Over Disbursements	<u>(306,142)</u>	<u>(311,035)</u>	<u>938,173</u>	<u>1,249,208</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	-	-	1,902	1,902
Advances In	-	-	258,573	258,573
Advances Out	-	-	(266,322)	(266,322)
Transfers Out	(45,000)	(45,000)	(37,488)	7,512
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(43,335)</u>	<u>1,665</u>
Net Change in Fund Balance	(351,142)	(356,035)	894,838	1,250,873
Fund Balance at Beginning of Year	1,502,060	1,502,060	1,502,060	-
Prior Year Encumbrances Appropriated	106,649	106,649	106,649	-
Fund Balance at End of Year	<u>\$ 1,257,567</u>	<u>\$ 1,252,674</u>	<u>\$ 2,503,547</u>	<u>\$ 1,250,873</u>

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS

June 30, 2005

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ <u>21,131</u>	\$ <u>18,058</u>
<u>Net Assets:</u>		
Unrestricted	\$ <u>21,131</u>	\$ <u>18,058</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 - CASH BASIS
For the Year Ended June 30, 2005

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Additions:</u>		
Interest	\$ 394	\$ 320
Gifts and Donations	1,726	-
Extracurricular Activities	-	33,245
Miscellaneous	-	256
Total Additions	<u>2,120</u>	<u>33,821</u>
 <u>Deductions:</u>		
Scholarships	1,500	-
Other Objects	-	27,428
	<u>1,500</u>	<u>27,428</u>
 Change in Net Assets	 620	 6,393
Net Assets at Beginning of Year	<u>20,511</u>	<u>11,665</u>
Net Assets at End of Year	<u>\$ 21,131</u>	<u>\$ 18,058</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, 2005

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 classified employees, one hundred and seven certified teaching personnel, and eleven administrative employees who provide services to 1,978 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 two 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; and the Allen County Schools Health Benefits Plan. These organizations are presented in Notes 11 and 12 to the basic financial statements.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

Note 2 - Summary of Significant Accounting Policies

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

Basis of Accounting

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

Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program receipts 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 receipts include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Receipts, which are not classified as program receipts, are presented as general receipts of the School District, with certain limited exceptions. The comparison of direct expenses with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the School District.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

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

Fund Financial Statements

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

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

Major Funds

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

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

The funds of the financial reporting entity are described below:

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

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

Fiduciary Funds

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

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 disbursements 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.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

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

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 2005, investments were limited to non-negotiable 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, 2005.

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 2005 was \$73,592.

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.

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 receipts restricted for the purchase of school buses.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

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

Property, Plant and Equipment

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

Compensated-Absences

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

Long-Term Obligations

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

Interfund Transactions

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

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

Extraordinary and Special Items

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

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

Net Assets

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

The School District's policy is to first apply restricted resources when 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 textbooks, budget stabilization, bus purchase, and encumbrances.

The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in receipts and disbursements.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

Note 3 - 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, 2005

Note 3 - 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 \$3,490,922 and the bank balance was \$2,714,157. Of the bank balance, \$247,549 was covered by federal depository insurance and \$2,466,608 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, 2005, the funds on deposit with STAR Ohio was \$779,239.

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, 2005

Note 3 - 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	\$ 4,270,260	\$ -
Cash on Hand	(100)	-
Investments:		
STAR Ohio	(779,239)	779,239
GASB Statement No 3	\$ 3,490,921	\$ 779,239

Note 4 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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, 2005

Note 4 - 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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 132,906,260	44.81 %	\$ 135,476,830	48.23 %
Industrial/Commercial	49,109,280	16.56	49,985,850	17.80
Public Utility	17,937,760	6.05	17,932,480	6.38
Tangible Personal	<u>96,617,437</u>	<u>32.58</u>	<u>77,494,035</u>	<u>27.59</u>
Total Assessed Value	<u>\$ 296,570,737</u>	<u>100.00 %</u>	<u>\$ 280,889,195</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$ 33.72		\$ 31.03	

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

Note 5 - 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 2005, the School District contracted for the following insurance coverage:

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

Buildings and Contents - replacement cost (\$2,500 deductible)	\$	35,524,364
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		
Per Occurrence	\$	1,000,000
Aggregate		3,000,000
Employers Liability		1,000,000
Employee Benefits Liability		
Each Occurrence	\$	1,000,000
Aggregate		3,000,000

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

For fiscal year 2005, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

Note 6 - 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.

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, 2005, plan members were required to contribute 10.0 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, 2005, 2004, and 2003 was \$878,796, \$871,284, and \$875,141 respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

Note 6 - Defined Benefit Pension Plans

School Employees Retirement System

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2005 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, 2005, 2004, and 2003 were \$285,684, \$290,868, and \$272,712, respectively; 40 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003.

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, 2005, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 7 – Post-employment Benefits

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, 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 \$62,771.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

Note 7 – Post-employment Benefits - (continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.1 million at June 30, 2004, (the latest information available). For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 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.

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from FY 2004. 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 2005, the minimum pay was established at \$27,400. However the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$69,993 for fiscal year 2005.

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, 2004, (the latest information available) were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Note 8 - Other Employee Benefits

Compensated Absences

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

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

Health Care Benefits

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

Note 9- Debt Obligations

At June 30, 2005, the School District had two outstanding debt obligations.

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 2006. 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. The interest rate is variable on this loan from the County.

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2005, were as follows:

Fiscal Year Ending	Asbestos Loan		Sewer Improvements Project Loan	
	Principal	Interest	Principal	Interest
2006	\$ 14,070	\$ 20,748	\$ 18,353	\$ 19,798
2007	7,037		19,279	18,798
2008	-		20,274	17,749
2009	-		21,269	16,647
2010	-		22,376	129,963
2011-2015			166,398	18,643
2016-2020				
Totals	\$ 21,107	\$ 185,782	\$ 397,912	\$ 185,782

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

Note 10 - 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, 2005, 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 2005.

	<u>Textbooks</u>		<u>Capital Improvements</u>		<u>Budget Stabilization</u>
Balance June 30, 2004	\$ 284,741	\$	-	\$	47,142
Current Year Set Aside Requirement	286,980		286,980		-
Qualifying Expenditures	<u>(125,819)</u>		<u>(286,980)</u>		<u>-</u>
Balance June 30, 2005	<u>\$ 445,902</u>	\$	<u>-</u>	\$	<u>47,142</u>

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

Note 11 - 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 2005, the School District paid \$18,151 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, 2005

Note 11- 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 12 - Insurance Pools

Ohio School Plan

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

Note 12 - Insurance Pools - (continued)

Allen County Schools Health Benefits Plan

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

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

Note 13 - 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 14 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2005.

Litigation

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

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BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES - CASH BASIS
For the Year Ended June 30, 2005

Federal Grantor/ Pass-Through Grantor/ <u>Program Titles</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>
U.S. Department of Education (Passed-Through Ohio Department of Education)		
Special Education Grants IDEA, Part B	045765-6BSF-2004 045765-6BSF-2005	84.027 84.027
Education Consolidation and Improvement Act of 1981	045765-C1S1-2004 045765-C1S1-2005	84.010 84.010
Innovative Education Program Strategy	045765-C2S1-2004 045765-C2S1-2005	84.298 84.298
Drug Free School Grant	045765-DRS1-2004 045765-DRS1-2005	84.186 84.186
Education Technology State Grants	045675-TJS1-2005	84.318
Improving Teacher Quality State Grants	045675-TRS1-2004 045675-TRS1-2005	84.367 84.367
Total U.S. Department of Education		
U.S. Department of Agriculture (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, 2005, the District had \$7,987 of food commodities in inventory.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$ 372	\$ -	\$ 14,708	\$ -
372,355	-	341,749	-
<u>372,727</u>	<u>-</u>	<u>356,457</u>	<u>-</u>
25,500	-	30,442	-
136,454	-	123,069	-
<u>161,954</u>	<u>-</u>	<u>153,511</u>	<u>-</u>
5,201	-	2,093	-
12,500	-	12,500	-
<u>17,701</u>	<u>-</u>	<u>14,593</u>	<u>-</u>
969	-	1,822	-
4,289	-	6,044	-
<u>5,258</u>	<u>-</u>	<u>7,866</u>	<u>-</u>
5,647	-	5,129	-
<u>5,647</u>	<u>-</u>	<u>5,129</u>	<u>-</u>
38,716	-	43,205	-
69,297	-	68,050	-
<u>108,013</u>	<u>-</u>	<u>111,255</u>	<u>-</u>
<u>671,300</u>	<u>-</u>	<u>648,811</u>	<u>-</u>
35,322	-	35,322	-
221,739	-	221,739	-
-	84,947	-	84,170
<u>257,061</u>	<u>84,947</u>	<u>257,061</u>	<u>84,170</u>
257,061	84,947	257,061	84,170
<u>\$ 928,361</u>	<u>\$ 84,947</u>	<u>\$ 905,872</u>	<u>\$ 84,170</u>

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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)

February 6, 2006

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

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

Auditor of State of Ohio
Columbus, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bath Local School District, Allen County, Ohio, (the School District) as of and for the fiscal year ended June 30, 2005, which collectively comprise the School District's basis financial statements, and have issued our report thereon dated February 6, 2006, wherein we noted the School District followed accounting practices previously prescribed by the Auditor of State rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control 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 caused by error or fraud in amounts material to the financial statements being audited may occur and not be timely detected 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 material weaknesses. In a separate letter to the School District's management dated February 6, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or another matter that we must report under Government Auditing Standards which is described in the accompanying schedule of findings as item 2005-8120-001. We also another immaterial instance of noncompliance which we have reported to management of Bath Local School District is a separate letter dated February 6, 2006.

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

A handwritten signature in red ink, appearing to read "E. L. ...", 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)

February 6, 2006

**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, 2005. 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, 2005.

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.

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



BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO

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

June 30, 2005

A. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under .510?	No
(d)(1)(vii)	Major Programs (list): Special Ed Grants (IDEA, Part B) Child Nutrition Cluster	CFDA#84.027 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, 2005

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

Finding Number 2005-8120-001

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

Ohio Admin Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosure that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

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, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-8120-001	ORC 117.38 and OAC 117-2-03(B) - District filed cash basis financial statements.	NO	Reissued as Finding 2005-8120-001



**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
MAY 4, 2006**