



Dave Yost • Auditor of State

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bath Local School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bath Local School District, Allen County, Ohio, as of June 30, 2012, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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*. You should read it in conjunction with this report in assessing the results of our audit.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

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We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, change in net assets, and governmental activities. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

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

Dave Yost
Auditor of State

February 19, 2013

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The discussion and analysis of Bath Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. 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 2012 are as follows:

- In total, net assets increased \$24,476,370, or 175 percent, indicating a significant change from the prior fiscal year. This increase includes \$25,100,000 of Proceeds from Bond Anticipation Notes for the building of a new elementary school. General receipts accounted for \$40,547,975, or 94 percent of all receipts, and reflects the School District's significant dependence on property taxes and unrestricted state entitlements along with note proceeds.
- H.B. 153 reduces the school district's tangible personal property tax fixed rate reimbursements by twenty-five percent for FY 2012 and an additional twenty-five percent for FY 2013. In addition to these reductions, the Federal State Fiscal Stabilization funds (SFSF), which Ohio used to help balance its General Revenue Fund for education, has been eliminated as of June 30, 2012. Overall, Bath Local School District anticipates a net loss of \$623,630, not taking into account the \$25,100,000 of Proceeds from the Bond Anticipation Notes.
- FY 2012 is the ninth year that financial statements were prepared on the modified cash basis utilizing the GASB 34 format. The decision to change the basis of reporting was made by the Board of Education in order to save financial resources.

Using the Basic Financial Statements

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

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

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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 2012 on the modified cash basis of accounting.

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

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

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

Reporting the School District's Most Significant Funds

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

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal yearend 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**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal years 2012 and 2011 on the modified cash basis of accounting. A comparative analysis is provided for government-wide financial statements using the modified cash basis of accounting.

**Table 1
Net Assets**

| | Governmental Activities | |
|---------------------------|------------------------------------|---------------------|
| | 2012 | 2011 |
| Assets: | | |
| Cash and Cash Equivalents | \$ 2,714,261 | \$ 2,926,173 |
| Investments | 35,720,424 | 11,032,142 |
| Total Assets | 38,434,685 | 13,958,315 |
| Net Assets: | | |
| Restricted | 26,996,676 | 3,304,921 |
| Unrestricted | 11,438,009 | 10,653,394 |
| Total Net Assets | \$38,434,685 | \$13,958,315 |

Table 2 reflects the changes in net assets for fiscal years 2012 and 2011. A comparative analysis of government-wide data is presented using the modified cash basis of accounting.

Table 2 -Change in Net Assets

| | Governmental Activities | |
|--|--------------------------------|-------------------|
| | 2012 | 2011 |
| Receipts: | | |
| Program Receipts: | | |
| Charges for Services and Sales | \$ 835,483 | \$ 876,312 |
| Operating Grants, Contributions, and Interest | 1,525,012 | 1,701,558 |
| Capital Grants and Contributions | 23,000 | 23,000 |
| Total Program Receipts | 2,383,495 | 2,600,870 |
| General Receipts: | | |
| Property Taxes Levied for General Purposes | 6,419,544 | 6,665,187 |
| Property Taxes Levied for Permanent Improvements | 511,190 | 532,688 |
| Grants and Entitlements | 8,226,662 | 8,409,917 |
| Proceeds from Bond Anticipation Notes | 25,100,000 | |
| Premium on Bond Anticipation Notes | 100,149 | |
| Interest | 86,232 | 153,064 |
| Miscellaneous | 104,198 | 167,097 |
| Total General Receipts | 40,547,975 | 15,927,953 |
| Total Receipts | 42,931,470 | 18,528,823 |

(Continued)

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

**Table 2 -Change in Net Assets
(Continued)**

| | Governmental Activities | |
|---------------------------------------|--------------------------------|-----------------------------|
| | 2012 | 2011 |
| Disbursements: | | |
| Instruction: | | |
| Regular | 7,676,737 | 8,133,909 |
| Special | 1,689,057 | 1,833,320 |
| Other | 1,034,403 | 954,522 |
| Support Services: | | |
| Pupils | 717,787 | 876,188 |
| Instructional Staff | 373,721 | 379,945 |
| Board of Education | 42,974 | 66,176 |
| Administration | 1,456,878 | 1,401,370 |
| Fiscal | 558,144 | 559,248 |
| Operations and Maintenance of Plants | 2,058,581 | 2,350,568 |
| Pupil Transportation | 906,346 | 932,196 |
| Central | 150,551 | 154,431 |
| Non-Instructional Services | 999,798 | 840,507 |
| Extracurricular Activities | 559,817 | 754,047 |
| Capital Outlay | 66,938 | 479,235 |
| Debt Service: | | |
| Principal Retirement | 59,682 | 63,402 |
| Interest and Fiscal Charges | 24,881 | 27,628 |
| Bond Anticipation Note Issuance Costs | 80,508 | |
| Total Disbursements | <u>18,456,803</u> | <u>19,806,692</u> |
| Excess Receipts before Transfers | 24,474,667 | (1,277,869) |
| Transfers | 1,703 | 1,956 |
| Increase/(Decrease) in Net Assets | <u><u>24,476,370</u></u> | <u><u>(\$1,275,913)</u></u> |

Program receipts account for only 6 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees and extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for over 56 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for over 10 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant portion of cash disbursements, 11 percent. Therefore, over 77 percent of the School District's disbursements are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and unrestricted grants and entitlements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Governmental Activities

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

**Table 3
Governmental Activities**

| | Total Cost Of Services 2012 | Total Cost Of Services 2011 | Net Cost Of Services 2012 | Net Cost Of Services 2011 |
|------------------------------------|--|--|--|--|
| Instruction: | | | | |
| Regular | \$ 7,676,737 | \$ 8,133,909 | 7,204,236 | \$ 7,502,152 |
| Special | 1,689,057 | 1,833,320 | 879,765 | 951,898 |
| Other | 1,034,403 | 954,522 | 1,034,403 | 954,522 |
| Support Services: | | | | |
| Pupils | 717,787 | 876,188 | 717,787 | 876,188 |
| Instructional Staff | 373,721 | 379,945 | 373,721 | 379,945 |
| Board of Education | 42,974 | 66,176 | 42,974 | 66,176 |
| Administration | 1,456,878 | 1,401,370 | 1,456,878 | 1,396,370 |
| Fiscal | 558,144 | 559,248 | 558,144 | 559,248 |
| Operation and Maintenance of Plant | 2,058,581 | 2,350,568 | 2,058,581 | 2,350,568 |
| Pupil Transportation | 906,346 | 932,196 | 897,346 | 922,196 |
| Central | 150,551 | 154,431 | 150,551 | 154,431 |
| Non-Instructional Services | 999,798 | 840,507 | 141,962 | (7,694) |
| Extracurricular Activities | 559,817 | 754,047 | 324,951 | 529,557 |
| Capital Outlay | 66,938 | 479,235 | 66,938 | 479,235 |
| Debt Service | 165,071 | 91,030 | 84,563 | 165,071 |
| Total Disbursements | <u>\$18,456,803</u> | <u>\$19,806,692</u> | <u>\$16,073,308</u> | <u>\$17,205,822</u> |

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 87 percent of instruction activities are supported through taxes and other general receipts. Operation of food services (non-instructional services) was 86 percent funded by program cash receipts for the current fiscal year. This is due to cafeteria sales, state and federal subsidies, and donated commodities for food service. Forty-two percent of extracurricular activities disbursements are covered by program cash receipts. This is primarily due to music and athletic fees, ticket sales, and gate receipts. For all governmental activities, support from general receipts is 87 percent. It is apparent that the community, as a whole, is the primary support for Bath Local School District students.

The School District's Funds

Total governmental funds had cash receipts and other financing sources of \$43,159,788 and disbursements and other financing uses of \$18,683,418. The positive change of \$24,476,370 in fund balance for the year includes \$25,100,000 in proceeds from bond anticipation notes. Excluding these proceeds, the School District was not able to meet current costs without utilizing carryover funds by \$623,630.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the School District amended its General Fund budget as needed. Final budgeted receipts and other financing sources, in the amount of \$14,616,380, were below actual receipts and other financing sources of \$14,822,667. The \$206,287 difference is primarily attributable to an advance-in and additional intergovernmental receipts received.

Final disbursements and other financing uses were budgeted at \$15,837,892 while actual disbursements and other financing uses were \$15,432,101. The School District was able to restrict spending below what was anticipated. The \$405,791 is mainly attributable to controlling expenses due to financial constraints. The School District appropriates conservatively in order to cover disbursements.

Capital Assets and Debt Administration

Capital Assets

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

Debt

The School District had one loan outstanding, a limited tax general obligation energy conservation bond, and a school improvement bond anticipation note at the end of the fiscal year. Principal balance owed on the bonds at June 30, 2012 is \$555,000, principal balance on the sewer improvement loan is \$248,196, and principal balance on the bond anticipation note is \$25,100,000. For further information regarding the School District's debt see Note 10 to the basic financial statements.

Current Issues

On March 6, 2012 the Bath Community passed a \$25.1 million bond issue to build a new K-5 Elementary Building. The project is an Expedited Local Partnership Program through the Ohio School Facilities Commission. The building is moving through the design phase, with expected ground breaking in early 2013, and completion in 2015.

The Board and Administration continue to monitor finances closely, and seek avenues to reduce the current deficit spending trend. For the 2012-13 school year, attrition allowed the reduction of five certified staff and one part-time classified employee. Due to uncertain state funding and decreased property tax valuations, the District may need to consider additional operating revenue in the near future.

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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2012**

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$2,714,261 |
| Investments | 35,720,424 |
| Total Assets | <u>38,434,685</u> |
| Net Assets: | |
| Restricted For: | |
| Capital Projects | 26,054,230 |
| Debt Service | 19,642 |
| Federally Funded Projects | 5,018 |
| Library Materials | 103,084 |
| Other Purposes | 814,702 |
| Unrestricted | 11,438,009 |
| Total Net Assets | <u>\$38,434,685</u> |

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| | <u>Program Receipts</u> | | | <u>Net (Disbursements)</u> | |
|---|-------------------------------|---|--|---|------------------------------------|
| | <u>Cash Disbursements</u> | <u>Charges for Services and Sales</u> | <u>Operating Grants Contributions and Interest</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental Activities: | | | | | |
| Instructions: | | | | | |
| Regular | \$7,676,737 | \$134,353 | \$338,148 | | (\$7,204,236) |
| Special | 1,689,057 | 43,115 | 766,177 | | (879,765) |
| Other | 1,034,403 | | | | (1,034,403) |
| Support Services: | | | | | |
| Pupils | 717,787 | | | | (717,787) |
| Instructional Staff | 373,721 | | | | (373,721) |
| Board of Education | 42,974 | | | | (42,974) |
| Administration | 1,456,878 | | | | (1,456,878) |
| Fiscal | 558,144 | | | | (558,144) |
| Operation and Maintenance of Plant | 2,058,581 | | | | (2,058,581) |
| Pupil Transportation | 906,346 | | 9,000 | | (897,346) |
| Central | 150,551 | | | | (150,551) |
| Non-Instructional Services | 999,798 | 446,149 | 411,687 | | (141,962) |
| Extracurricular Activities | 559,817 | 211,866 | | \$23,000 | (324,951) |
| Capital Outlay | 66,938 | | | | (66,938) |
| Debt Service: | | | | | |
| Principal Retirement | 59,682 | | | | (59,682) |
| Interest and Fiscal Charges | 24,881 | | | | (24,881) |
| Bond Anticipation Note Issuance Costs | 80,508 | | | | (80,508) |
| Total Governmental Activities | <u>\$18,456,803</u> | <u>\$835,483</u> | <u>\$1,525,012</u> | <u>\$23,000</u> | <u>(16,073,308)</u> |
| General Receipts: | | | | | |
| Property Taxes Levied for General Purposes | | | | | 6,419,544 |
| Property Taxes Levied for Permanent Improvements | | | | | 511,190 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 8,226,662 |
| Investment Earnings | | | | | 86,232 |
| Proceeds from Bond Anticipation Notes | | | | | 25,100,000 |
| Premium on Bond Anticipation Notes | | | | | 100,149 |
| Miscellaneous | | | | | 104,198 |
| Total General Receipts | | | | | <u>40,547,975</u> |
| Transfers | | | | | 1,703 |
| Total General Receipts and Transfers | | | | | <u>40,549,678</u> |
| Change in Net Assets | | | | | 24,476,370 |
| Net Assets Beginning of Year | | | | | 13,958,315 |
| Net Assets End of Year | | | | | <u><u>\$38,434,685</u></u> |

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2012**

| | <u>General</u> | <u>Building Construction</u> | <u>Other Governmental</u> | <u>Total Governmental Funds</u> |
|--|---------------------|----------------------------------|-------------------------------|---|
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,940,549 | \$456,421 | \$317,291 | \$2,714,261 |
| Investments | 9,557,689 | 24,600,000 | 1,562,735 | 35,720,424 |
| Total Assets | <u>11,498,238</u> | <u>25,056,421</u> | <u>1,880,026</u> | <u>38,434,685</u> |
| Fund Balances: | | | | |
| Restricted: | | | | |
| Debt Service Fund | | | 19,642 | 19,642 |
| Capital Outlay | | 25,056,421 | 997,809 | 26,054,230 |
| Food Services | | | 507,252 | 507,252 |
| Extracurricular | | | 103,351 | 103,351 |
| Special Education | | | 9,079 | 9,079 |
| Scholarships | | | 99,580 | 99,580 |
| Other Purposes | | | 3,084 | 3,084 |
| Committed: | | | | |
| Termination Benefits | 268,074 | | | 268,074 |
| Other Purposes | 11,000 | | 44,491 | 55,491 |
| Library Purposes | | | 100,000 | 100,000 |
| Assigned: | | | | |
| Current Obligations | 157,841 | | | 157,841 |
| Other Purposes | 62,030 | | | 62,030 |
| Unassigned: | 10,999,293 | | (4,262) | 10,995,031 |
| Total Fund Balances | <u>\$11,498,238</u> | <u>\$25,056,421</u> | <u>\$1,880,026</u> | <u>\$38,434,685</u> |

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
MODIFIED CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| | <u>General</u> | <u>Building Construction</u> | <u>Other Governmental</u> | <u>Total Governmental Funds</u> |
|--|---------------------|----------------------------------|-------------------------------|---|
| Receipts: | | | | |
| Property Taxes | \$6,419,544 | | \$511,190 | \$6,930,734 |
| Intergovernmental | 6,986,202 | | 1,763,764 | 8,749,966 |
| Interest | 83,983 | \$33 | 2,216 | 86,232 |
| Tuition and Fees | 1,152,526 | | | 1,152,526 |
| Extracurricular Activities | 39,041 | | 211,866 | 250,907 |
| Charges for Services | | | 446,149 | 446,149 |
| Rentals | | | 3,200 | 3,200 |
| Miscellaneous | 41,137 | | 36,823 | 77,960 |
| Total Receipts | <u>14,722,433</u> | <u>33</u> | <u>2,975,208</u> | <u>17,697,674</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 7,107,793 | | 568,944 | 7,676,737 |
| Special | 1,204,093 | | 484,964 | 1,689,057 |
| Other | 1,034,403 | | | 1,034,403 |
| Support Services | | | | |
| Pupils | 663,756 | | 54,031 | 717,787 |
| Instructional Staff | 187,898 | | 185,823 | 373,721 |
| Board of Education | 42,974 | | | 42,974 |
| Administration | 1,314,936 | | 141,942 | 1,456,878 |
| Fiscal | 543,246 | 30 | 14,868 | 558,144 |
| Operation and Maintenance of Plant | 1,501,484 | | 557,097 | 2,058,581 |
| Pupil Transportation | 866,734 | | 39,612 | 906,346 |
| Central | 148,273 | | 2,278 | 150,551 |
| Non-Instructional Services | 111,454 | | 888,344 | 999,798 |
| Extracurricular Activities | 363,389 | | 196,428 | 559,817 |
| Capital Outlay | | 43,612 | 23,326 | 66,938 |
| Debt Service: | | | | |
| Principal Retirement | 35,000 | | 24,682 | 59,682 |
| Interest and Fiscal Charges | 10,591 | | 14,290 | 24,881 |
| Bond Anticipation Note Issuance Costs | | 80,508 | | 80,508 |
| Total Disbursements | <u>15,136,024</u> | <u>124,150</u> | <u>3,196,629</u> | <u>18,456,803</u> |
| Excess of Receipts Over (Under) Disbursements | <u>(413,591)</u> | <u>(124,117)</u> | <u>(221,421)</u> | <u>(759,129)</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Bond Anticipation Notes | | 25,100,000 | | 25,100,000 |
| Premium on Bond Anticipation Notes | | 80,508 | 19,641 | 100,149 |
| Refund of Prior Year Expenditures | 13,570 | | 20,077 | 33,647 |
| Advances In | 84,931 | | 67,000 | 151,931 |
| Advances Out | (67,000) | | (84,931) | (151,931) |
| Transfers In | 1,733 | 30 | 74,624 | 76,387 |
| Transfers Out | (71,236) | (30) | (3,418) | (74,684) |
| Total Other Financing Sources (Uses) | <u>(38,002)</u> | <u>25,180,508</u> | <u>92,993</u> | <u>25,235,499</u> |
| Net Change in Fund Balances | (451,593) | 25,056,391 | (128,428) | 24,476,370 |
| Fund Balances Beg of Year | 11,949,831 | 30 | 2,008,454 | 13,958,315 |
| Fund Balances End of Year | <u>\$11,498,238</u> | <u>\$25,056,421</u> | <u>\$1,880,026</u> | <u>\$38,434,685</u> |

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|--|-------------------------|---------------------|---------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget</u> |
| | | | | <u>Over/(Under)</u> |
| Receipts: | | | | |
| Property Taxes | \$6,419,000 | \$6,419,000 | \$6,419,544 | \$544 |
| Intergovernmental | 6,899,442 | 6,899,442 | 6,986,202 | 86,760 |
| Interest | 100,000 | 100,000 | 83,983 | (16,017) |
| Tuition and Fees | 1,124,000 | 1,123,438 | 1,152,526 | 29,088 |
| Extracurricular Activities | 29,600 | 29,600 | 39,041 | 9,441 |
| Miscellaneous | 44,900 | 44,900 | 41,137 | (3,763) |
| Total Receipts | <u>14,616,942</u> | <u>14,616,380</u> | <u>14,722,433</u> | <u>106,053</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 6,825,693 | 7,079,493 | 7,142,712 | (63,219) |
| Special | 1,222,800 | 1,225,775 | 1,204,093 | 21,682 |
| Other | 965,000 | 1,034,500 | 1,034,403 | 97 |
| Support Services: | | | | |
| Pupils | 695,560 | 704,054 | 664,019 | 40,035 |
| Instructional Staff | 179,608 | 196,960 | 187,898 | 9,062 |
| Board of Education | 78,013 | 78,013 | 52,755 | 25,258 |
| Administration | 1,244,031 | 1,325,981 | 1,316,559 | 9,422 |
| Fiscal | 586,143 | 589,543 | 554,066 | 35,477 |
| Operation and Maintenance of Plant | 1,778,399 | 1,634,689 | 1,579,709 | 54,980 |
| Pupil Transportation | 918,989 | 910,544 | 887,848 | 22,696 |
| Central | 157,415 | 158,465 | 148,273 | 10,192 |
| Non-Instructional Services | 86,972 | 113,022 | 112,550 | 472 |
| Extracurricular Activities | 616,807 | 553,907 | 363,389 | 190,518 |
| Capital Outlay | 15,646 | 15,646 | | 15,646 |
| Debt Service: | | | | |
| Principle Retirement | 35,000 | 35,000 | 35,000 | |
| Interest and Fiscal Charges | 11,000 | 11,000 | 10,591 | 409 |
| Total Disbursements | <u>15,417,076</u> | <u>15,666,592</u> | <u>15,293,865</u> | <u>372,727</u> |
| Excess of Receipts Under Disbursements | <u>(800,134)</u> | <u>(1,050,212)</u> | <u>(571,432)</u> | <u>478,780</u> |
| Other Financing Sources (Uses): | | | | |
| Refund of Prior Year Expenditures | | | 13,570 | 13,570 |
| Advances In | | | 84,931 | 84,931 |
| Advances Out | (100,000) | (100,000) | (67,000) | 33,000 |
| Transfers In | | | 1,733 | 1,733 |
| Transfers Out | (70,000) | (71,300) | (71,236) | 64 |
| Total Other Financing Sources (Uses) | <u>(170,000)</u> | <u>(171,300)</u> | <u>(38,002)</u> | <u>133,298</u> |
| Net Change in Fund Balance | (970,134) | (1,221,512) | (609,434) | 612,078 |
| Fund Balance at Beginning of Year | 11,773,286 | 11,773,286 | 11,773,286 | |
| Prior Year Encumbrances Appropriated | 176,545 | 176,545 | 176,545 | |
| Fund Balance at End of Year | <u>\$10,979,697</u> | <u>\$10,728,319</u> | <u>\$11,340,397</u> | <u>\$612,078</u> |

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2012**

| | Private Purpose Trust | Agency |
|--|----------------------------------|---------------|
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | \$21,869 | \$12,760 |
| Net Assets: | | |
| Held for Student Activities | | 12,760 |
| Held in Trust for Scholarships | 21,869 | |
| | \$21,869 | \$12,760 |

See accompanying notes to the basic financial statements.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY

STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Private Purpose Trust</u> |
|---------------------------------|----------------------------------|
| Additions: | |
| Interest | \$28 |
| Gifts and Donations | 3,846 |
| Total Additions | <u>3,874</u> |
| Deductions: | |
| Scholarships | <u>3,500</u> |
| Change in Net Assets | 374 |
| Net Assets at Beginning of Year | 21,495 |
| Net Assets at End of Year | <u><u>\$21,869</u></u> |

See accompanying notes to the basic financial statements.

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**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1936. The School District serves an area of approximately forty-four square miles and is located in Allen County. The School District is staffed by one hundred classified employees and one hundred fourteen certified personnel who provide services to 1,875 students and other community members. The School District currently operates an elementary school, a middle school, and a high school.

Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting

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

B. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Major Funds

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

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

The funds of the financial reporting entity are described below:

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

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

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

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.

C. Budgetary Process

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Cash and Cash Equivalents

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

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

During fiscal year 2012, investments were limited to federal notes, US Treasury Notes, and STAR Ohio. Investments are reported at cost except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2012. Purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The Board of Education has allocated interest earnings according to board resolution and State statutes. Interest receipts credited to the General Fund during fiscal year 2012 was \$83,983 which includes \$3,058 assigned from other funds.

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. The School District has no restricted assets at June 30, 2012.

F. Property, Plant and Equipment

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Compensated-Absences

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

H. Long-Term Obligations

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

I. Interfund Transactions

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

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

J. Extraordinary and Special Items

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

K. 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 money for termination benefits, activities for food service operations, athletic monies, principal activity accounts and other funds for purposes such as library.

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

L. Fund Balances

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

Non-spendable – amounts that cannot be spent because they are either (a) not in spendable form, (b) legally or (c) contractually required to be maintained intact. The not in spendable form includes items that are not expected to be converted to cash.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

Unassigned – residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

3. BUDGETARY BASIS OF ACCOUNTING

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

The encumbrances outstanding at year-end (budgetary basis) amount to \$157,841 in the General Fund.

4. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or with-drawable 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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

A. Deposits

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

At fiscal year end, the carrying amount of the School District's deposits was \$2,748,790 and the bank balance was \$2,989,159. Of the bank balance, \$1,161,376 was covered by federal depository insurance and \$1,827,783 was uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal District Insurance Corporation.

B. Investments

| | Value Of 6-30-12 | % of Total Investment | 0-1 Year | 1-5 Years |
|---------------------------|-----------------------------|----------------------------------|---------------------|--------------------|
| Fed Farm Credit Bank Note | \$ 1,462,073 | 4.09% | \$ 752,047 | \$ 710,025 |
| Fed Home Loan Bank Note | 3,501,993 | 9.80% | 1,202,996 | 2,298,997 |
| Fed Home Loan Mtg. Note | 26,967,163 | 75.50% | 24,600,000 | 2,367,163 |
| Fed National Mtg. Note | 2,221,842 | 6.22% | | 2,221,842 |
| US Treasury Note | 202,273 | 0.57% | 202,273 | |
| STAR Ohio | 1,365,080 | 3.82% | 1,365,080 | |
| Totals | <u>\$35,720,424</u> | <u>100.00%</u> | <u>\$28,122,397</u> | <u>\$7,598,027</u> |

C. Interest Rate Risk

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

D. Credit Risk

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

The School District's investments at June 30, 2012, in Federal and U.S. Notes and Star Ohio are rated AA+ and AAAM, respectively by Standard & Poor's.

E. Concentration Risk

The School District's policy places no limit on the amount the District may invest in any one issuer. It is required that the District's portfolio remain sufficiently liquid to meet reasonably anticipated operational requirements. Approximately 96% of the District's investments are in Federal Bonds and US Treasuries. These investments are approximately 99% and 1%, respectively of the District's total investments for the amounts listed above.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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 2012 (other than public utility property) represent the collection of calendar year 2012 taxes. Tangible personal property taxes received in calendar year 2012 were levied after April 1, 2011, on the value as of December 31, 2011. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Allen County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2012, are available to finance fiscal year 2012 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 2012 taxes were collected are:

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. PROPERTY TAXES (Continued)

| | Collections | |
|--------------------------|--------------------|----------------|
| | Amount | Percent |
| Agricultural/Residential | \$149,115,510 | 64.01% |
| Industrial/Commercial | 60,654,680 | 26.04% |
| Utility Real | 308,660 | 0.13% |
| Utility Personal | 22,863,000 | 9.82% |
| Total Assessed Value | \$232,941,850 | 100.00% |

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

| | |
|--------------------------|---------|
| Personal Property | \$34.24 |
| Agricultural/Residential | 33.01 |
| Industrial/Commercial | 34.14 |

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted for the following insurance coverage:

| | |
|---|--------------|
| Buildings and Contents – replacement cost: | |
| (\$1,000 deductible) | \$43,694,357 |
| Automobile Liability | 1,000,000 |
| General Liability: | |
| Per Occurrence | 1,000,000 |
| Aggregate | 3,000,000 |

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

The School District participates in the Allen County Schools Health Benefits Plan (Plan) (Note 13), a public entity shared risk pool consisting of ten school districts and the Allen County Educational Service Center. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program and the payment of claims. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

For fiscal year 2012, the School District participated in the OASBO CompManagement Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". The "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad St., Columbus, OH 43215-3771 or by calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$936,377, \$1,002,108, and \$959,225 respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent has been contributed for fiscal years 2011 and 2010.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent. The contribution requirements of plan members and employers are established and may be amended up to statutory maximums by the SERS' Retirement Board. The Retirement Board, acting with the advice of an actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the Fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$307,109, \$283,412, and \$273,575, respectively; 67% has been contributed for fiscal year 2012 and 100% has been contributed for fiscal years 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the STRS/SERS Ohio. As of June 30, 2012, some of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$72,029, \$77,085, and \$73,787 respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS.

The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the employer contribution rate to the Medicare B Fund. For Fiscal Year 2012, the actuarially required allocation is .75%. The District's contributions for the years ended 2012, 2011, and 2010 were 18,136, 18,238, and 16,269 respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the fiscal year ended June 30, 2012, the health care allocation is .55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. School District contributions assigned to health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$13,300, \$34,317, and \$9,847, respectively; 67 percent has been contributed for fiscal year 2012 and 100 percent has been contributed for fiscal years 2011 and 2010.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

10. DEBT OBLIGATIONS

At June 30, 2012, the School District had three outstanding debt obligations.

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

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

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. DEBT OBLIGATIONS (Continued)

| | Principal Outstanding 6/30/2011 | Additions | Deductions | Principal Outstanding 6/30/2011 |
|--------------------------|--|---------------------|-------------------|--|
| Sewer Improvement Loan | \$272,878 | | (\$24,682) | \$ 248,196 |
| General Obligation Bonds | 590,000 | | (35,000) | 555,000 |
| Bond Anticipation Note | | \$25,100,000 | | 25,100,000 |
| Total | <u>\$862,878</u> | <u>\$25,100,000</u> | <u>(\$59,682)</u> | <u>\$25,903,196</u> |

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2012, are as follows:

| Fiscal Year Ending | Sewer Improvements Project Loan | | General Obligation Bonds | | Bond Anticipation Note | | Total Due |
|-------------------------------|--|-----------------|-------------------------------------|-----------------|-----------------------------------|------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2013 | \$ 25,947 | \$12,994 | \$ 40,000 | \$ 9,898 | \$25,100,000 | \$156,875 | \$25,345,714 |
| 2014 | 27,236 | 11,650 | 40,000 | 9,157 | | | 88,043 |
| 2015 | 28,614 | 10,237 | 40,000 | 8,418 | | | 87,269 |
| 2016 | 30,084 | 8,757 | 40,000 | 7,678 | | | 86,519 |
| 2017 | 31,598 | 7,199 | 40,000 | 6,938 | | | 85,735 |
| 2018-2022 | 104,717 | 11,443 | 220,000 | 22,848 | | | 359,008 |
| 2023-2024 | | | 135,000 | 3,746 | | | 138,746 |
| Totals | <u>\$248,196</u> | <u>\$62,280</u> | <u>\$555,000</u> | <u>\$68,683</u> | <u>\$25,100,000</u> | <u>\$156,875</u> | <u>\$26,191,034</u> |

11. SET ASIDES

The School District is required by State law to set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

| | Capital Improvements |
|---|---------------------------------|
| Set-Aside Balance June 30, 2011 | |
| Current year set-aside requirement | \$323,916 |
| Current Year Offsets | |
| Current Year qualifying expenditures | (774,186) |
| Total | <u>(\$450,270)</u> |
| Balance Carried Forward to Fiscal Year 2013 | \$ 0 |
| Set-Aside reserve balance June 30, 2012 | <u>\$ 0</u> |

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2012, the School District paid \$42,315 to NOACSC for various services. Financial information can be obtained from Ray Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

B. Apollo 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, Treasurer's Office, 3325 Shawnee Road, Lima, Ohio 45806.

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

The Local Professional Development Committee Consortium Spencerville, Perry, and Bath Local Schools (SPEBA) is a jointly governed organization consisting of Spencerville, Perry, and Bath Local School Districts.

The organization was formed to review coursework and other professional development activities completed by educators within the school districts and used for the renewal of certificates and licenses. SPEBA is governed by a five-member committee made up of representatives from the participating school districts. The degree of control exercised by any participating school district is limited to its representation on the committee. As of June 30, 2011, there was no financial information available for this Committee.

D. Northwestern Ohio Educational Research Council, Inc.

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

13. INSURANCE POOLS

A. Allen County Schools Health Benefits Plan

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

Each participant decides which plan offered by the Board of Directors will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Brian Rockhold, who serves as Chairman, at the Allen County Educational Service Center, 1920 Slabtown Rd, Lima, Ohio 45801.

B. OASBO/CompManagement Workers' Compensation Group Rating Plan

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

14. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

15. INTERFUND TRANSFERS

During fiscal year 2012, the School District transferred \$71,206 from the General Fund to the Education Management Info System Fund and \$30 from the General Fund to the Building Construction Fund. In addition, \$1,671 was transferred from the Class of 2012 (Agency Fund) and \$32 from the FCCLA (Agency Fund) to the Principal Accounts (included in the General Fund). Also, \$30 was transferred from the Building Construction Fund back to the General Fund.

16. INTERFUND ADVANCES

During fiscal year 2012, the School District made advances between funds as follows:

| | <u>Advances-In</u> | <u>Advances-Out</u> |
|------------------------------|--------------------|---------------------|
| Governmental: | | |
| General Fund | \$ 84,931 | \$ 67,000 |
| All Other Governmental Funds | <u>\$ 67,000</u> | <u>\$ 84,931</u> |
| Total Governmental | <u>\$151,931</u> | <u>\$151,931</u> |

17. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

For Fiscal Year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of alternative measurement method and frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

At June 30, 2012, the Title 1 special revenue fund had a deficit balance of \$4,262 resulting from disbursements in excess or receipts. The General Fund provides transfers or advances to cover deficit balances; however, this is done when cash is needed.

B. Compliance

Ohio Administrative 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 prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

18. CONSTRUCTION & CONTRACTUAL COMMITMENTS

The Bath School community passed a \$25.1 million bond issue on March 6, 2012 for a new K-5 elementary building. The project is currently in the schematic design phase. As of June 30, 2012, \$43,673 has been expended with an additional \$378,908 being spent to-date in the current fiscal year from the 004 Building Construction fund, with an additional \$1,207,019 encumbered. Costs include architect, construction manager, engineering and legal services.

19. SUBSEQUENT EVENT

The bond issuance passed by the Bath community on March 6, 2012 is a voted unlimited tax general obligation for the purpose of constructing a new K-5 elementary building. The proceeds were received August 20, 2012 in the amount of \$25,237,234. The true interest cost over the 37 year life of the bonds is 3.99 percent.

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**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| Federal Grantor/ Pass Through Grantor Program Title | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|------------------------------------|--------------------|------------------------------|---------------------|----------------------------------|
| United States Department of Agriculture | | | | | |
| (Passed through Ohio Department of Education) | | | | | |
| Child Nutrition Cluster: | | | | | |
| Non-Cash Assistance (Food Distribution) | | | | | |
| School Breakfast Program | 10.553 | | \$2,898 | | \$3,246 |
| National School Lunch Program | 10.555 | | 98,305 | | 118,235 |
| Cash Assistance: | | | | | |
| School Breakfast Program | 10.553 | \$59,106 | | \$59,106 | |
| National School Lunch Program | 10.555 | 343,734 | | 343,734 | |
| Total Child Nutrition Cluster | | <u>402,840</u> | <u>101,203</u> | <u>402,840</u> | <u>121,481</u> |
| Total United States Department of Agriculture | | <u>402,840</u> | <u>101,203</u> | <u>402,840</u> | <u>121,481</u> |
| United States Department of Education | | | | | |
| (Passed through Ohio Department of Education) | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 348,400 | | 368,537 | |
| Special Education Cluster: | | | | | |
| Special Education Grants to States | 84.027 | 343,000 | | 355,579 | |
| ARRA Special Education Grants to States, Recovery Act | 84.391 | 54,500 | | 43,985 | |
| Total Special Education Cluster | | <u>397,500</u> | | <u>399,564</u> | |
| ARRA Race to the Top, Stimulus | 84.395 | 1,400 | | 1,400 | |
| Education Job Funds | 84.410 | 255,544 | | 255,544 | |
| Improving Teacher Quality State Grants | 84.367 | 75,804 | | 79,435 | |
| Education Technology State Grants | 84.318 | 200 | | | |
| Total United States Department of Education | | <u>1,078,848</u> | | <u>1,104,480</u> | |
| Total Federal Financial Assistance | | <u>\$1,481,688</u> | <u>\$101,203</u> | <u>1,507,320</u> | <u>\$121,481</u> |

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bath Local School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 19, 2013, wherein we noted the School District uses a comprehensive accounting basis other than Generally Accepted Accounting Principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

We also noted a certain matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 19, 2013.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, Board of Education, and federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

February 19, 2013



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

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

To the Board of Education:

Compliance

We have audited the compliance of Bath Local School District (the 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 could directly and materially affect each of the School District's major federal programs for the fiscal year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

In our opinion, the Bath Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated February 19, 2013.

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



Dave Yost
Auditor of State

February 19, 2013

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Child Nutrition Cluster: CFDA #10.553 and #10.555 Special Education Cluster: CFDA #84.027 and #84.391 Education Jobs Funds: CFDA #84.410 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

FINDING NUMBER 2012-01

Noncompliance Citation

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

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

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2011-01 | Accuracy of Financial Reporting | No | Repeated in management letter. |
| 2011-02 | Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(B) – Failure to file financial statements in accordance with Generally Accepted Accounting Principles(GAAP). | No | Repeated as finding 2012-01. |
| 2011-03 | 2 CFR Part 225, Appendix B Subsection 8a. Questioned Costs in the amount of \$20,077 related to CFDA #84.389 ARRA – Special Education Grants to States | Yes | |

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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
MARCH 19, 2013