



Dave Yost • Auditor of State

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2013, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the basic financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 25, 2014

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**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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, 2013. 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 2013 are as follows:

- In total, the net position of the School District declined \$2,558,150, indicating a significant change from the prior fiscal year. The decline is due mostly to the decreases in the General Fund as described below and the decrease in the Building Construction Fund due to increased disbursements related to the elementary building construction project.
- General receipts accounted for \$41,091,000, or 95 percent of all receipts, and reflects the School District's significant dependence on property taxes and unrestricted state entitlements.
- H.B. 153 reduced 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, was eliminated as of June 30, 2012.
- The General Fund, the School District's largest major governmental fund, had \$14,465,800 in receipts and other financing sources and \$15,498,533 in disbursements and other financing uses. The General Fund's balance decreased \$1,032,733 from the prior fiscal year. The decrease was mostly due to decreases in tax receipts and intergovernmental receipts (mostly a decrease in the amount of tangible personal property tax loss reimbursement) and increases in instruction and support service expenditures.
- FY 2013 is the tenth 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 the 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 nonmajor funds presented in total in a single column. For Bath Local School District, the General Fund, the Bond Retirement Fund, and 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, 2013
(UNAUDITED)
(Continued)**

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2013 on the modified cash basis of accounting.

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

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

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

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal years 2013 and 2012 on the modified cash basis of accounting. A comparative analysis is provided for government-wide financial statements using the modified cash basis of accounting.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

**Table 1
Net Position**

	Governmental Activities	
	2013	2012
Assets:		
Cash and Cash Equivalents	\$ 2,001,043	\$2,714,261
Investments	33,875,492	35,720,424
Total Assets	<u>35,876,535</u>	<u>38,434,685</u>
Net Position:		
Restricted	25,466,594	26,996,676
Unrestricted	10,409,941	11,438,009
Total Net Position	<u>\$35,876,535</u>	<u>\$38,434,685</u>

Table 2 reflects the changes in net position for fiscal years 2013 and 2012. A comparative analysis of government-wide data is presented using the modified cash basis of accounting.

**Table 2
Changes in Net Position**

	Governmental Activities	
	2013	2012
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$755,868	\$835,483
Operating Grants, Contributions, and Interest	1,378,489	1,525,012
Capital Grants and Contributions		23,000
Total Program Receipts	<u>2,134,357</u>	<u>2,383,495</u>
General Receipts:		
Property Taxes Levied for General Purposes	6,228,746	6,419,544
Property Taxes Levied for Permanent Improvements	497,411	511,190
Property Taxes Levied for Debt Retirement	817,964	
Grants and Entitlements	8,125,059	8,226,662
Proceeds from Bond Anticipation Notes		25,100,000
Proceeds from Sale of Bonds	25,100,000	
Premium on Bond Anticipation Notes		100,149
Premium on Sale of Bonds	2,704	
Capitalized Interest on Sale of Bonds	137,234	
Interest	81,258	86,232
Miscellaneous	100,624	104,198
Total General Receipts	<u>41,091,000</u>	<u>40,547,975</u>
Total Receipts	<u>43,225,357</u>	<u>42,931,470</u>

(Continued)

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

**Table 2
Changes in Net Position
(Continued)**

	Governmental Activities	
	2013	2012
Disbursements:		
Instruction:		
Regular	7,647,780	7,676,737
Special	1,833,609	1,689,057
Other	1,052,846	1,034,403
Support Services:		
Pupils	779,057	717,787
Instructional Staff	385,714	373,721
Board of Education	69,087	42,974
Administration	1,435,858	1,456,878
Fiscal	568,903	558,144
Operations and Maintenance of Plants	1,663,179	2,058,581
Pupil Transportation	955,057	906,346
Central	142,855	150,551
Non-Instructional Services	926,794	999,798
Extracurricular Activities	864,628	559,817
Capital Outlay	1,393,202	66,938
Debt Service:		
Principal Retirement	25,165,948	59,682
Interest and Fiscal Charges	897,490	24,881
Bond Anticipation Note Issuance Costs		80,508
Total Disbursements	<u>45,782,007</u>	<u>18,456,803</u>
Excess/(Shortage) of Receipts before Transfers	(2,556,650)	24,474,667
Transfers	(1,500)	1,703
Change in Net Position	<u>(\$2,558,150)</u>	<u>\$24,476,370</u>

Program receipts account for only 5 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 23 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for over 4 percent of governmental disbursements. For fiscal year 2013, debt service represented a significant portion of cash disbursements, 57 percent due to paying off the bond anticipation notes.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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 2013	Total Cost of Services 2012	Net Cost of Services 2013	Net Cost of Services 2012
Instruction:				
Regular	\$7,647,780	\$7,676,737	\$7,418,465	\$7,204,236
Special	1,833,609	1,689,057	1,034,084	879,765
Other	1,052,846	1,034,403	1,052,846	1,034,403
Support Services:				
Pupils	779,057	717,787	779,057	717,787
Instructional Staff	385,714	373,721	385,714	373,721
Board of Education	69,087	42,974	69,087	42,974
Administration	1,435,858	1,456,878	1,435,858	1,456,878
Fiscal	568,903	558,144	568,903	558,144
Operation and Maintenance of Plant	1,663,179	2,058,581	1,663,179	2,058,581
Pupil Transportation	955,057	906,346	938,057	897,346
Central	142,855	150,551	142,855	150,551
Non-Instructional Services	926,794	999,798	124,712	141,962
Extracurricular Activities	864,628	559,817	627,429	324,951
Capital Outlay	1,393,202	66,938	1,343,966	66,938
Debt Service	26,063,438	165,071	26,063,438	84,563
Total Disbursements	\$45,782,007	\$18,456,803	\$43,647,650	\$15,992,800

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent as 90 percent of instruction activities are supported through taxes and other general receipts. Operation of food 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. Twenty-seven 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 95 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 \$43,438,542 and disbursements and other financing uses of \$45,996,692. The negative change of \$(2,558,150) in fund balance for the year reflects that the School District was not able to meet current costs without utilizing carryover funds.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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 2013, the School District amended its General Fund budget as needed. Final budgeted receipts and other financing sources, in the amount of \$14,441,624, were below actual receipts and other financing sources of \$14,465,800. The \$24,176 difference is relatively insignificant.

Final disbursements were budgeted at \$15,789,228 while actual disbursements and other financing uses were \$15,646,881. The School District was able to restrict spending below what was anticipated. The \$142,347 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, limited tax general obligation energy conservation bonds, and a series 2012 school improvement bond issuance at the end of the fiscal year. Principal balance owed on the sewer improvement loan at June 30, 2013 was \$222,248, principal balance on the general obligation energy conservation bonds was \$515,000, and principal balance on the school improvement bond issuance was \$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. Construction began in April, and is progressing very well. It is anticipated that staff and students will move into the new building during Christmas break, 2014.

The school district piloted the Triple Ae program, a one-to-one mobile learning device and digital curriculum initiative, in FY 2013 with the junior class. The program has been expanded in FY 2014 to include grades 9-12. Permanent improvement funds were utilized to initiate start-up of the program. Ongoing maintenance of the program will come from the technology portion of our permanent improvement funds. We hope to expand the program to the middle grades in coming years and are currently seeking outside grants such as the Straight A Fund Grant for this purpose.

The renewal of the emergency levy will be on the ballot in November 2013. This levy generates \$3,725,182 annually, and is critical to the fiscal health of the school district.

HB 59 brings another new state funding formula for FY 2014 and 2015. Implementation of the formula is not complete, but estimates would indicate a small gain in revenue for Bath. However, some of the funding components are restricted to certain types of expenditures, and cannot be used for general operating expenses. This may limit the actual benefit to our bottom line. The Board and Administration continue to monitor finances closely, and seek avenues to reduce the current deficit spending trend.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Contacting the School District's Financial Management

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

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**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2013**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,001,043
Investments	33,875,492
Total Assets	<u>35,876,535</u>
Net Position:	
Restricted For:	
Capital Projects	24,415,667
Debt Service	182,375
Federally Funded Projects	40,865
Library Materials	103,149
Other Purposes	724,538
Unrestricted	10,409,941
Total Net Position	<u>\$35,876,535</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, 2013**

	<u>Program Receipts</u>			<u>Net (Disbursements)</u>
	<u>Cash</u>	<u>Charges for</u>	<u>Operating Grants</u>	<u>Governmental</u>
	<u>Disbursements</u>	<u>Services and Sales</u>	<u>Contributions</u>	<u>Activities</u>
			<u>and Interest</u>	
Governmental Activities:				
Instruction:				
Regular	\$7,647,780	\$128,055	\$101,260	(\$7,418,465)
Special	1,833,609	32,065	767,460	(1,034,084)
Other	1,052,846			(1,052,846)
Support Services:				
Pupils	779,057			(779,057)
Instructional Staff	385,714			(385,714)
Board of Education	69,087			(69,087)
Administration	1,435,858			(1,435,858)
Fiscal	568,903			(568,903)
Operation and Maintenance of Plant	1,663,179			(1,663,179)
Pupil Transportation	955,057		17,000	(938,057)
Central	142,855			(142,855)
Non-Instructional Services	926,794	384,873	417,209	(124,712)
Extracurricular Activities	864,628	210,875	26,324	(627,429)
Capital Outlay	1,393,202		49,236	(1,343,966)
Debt Service:				
Principal Retirement	25,165,948			(25,165,948)
Interest and Fiscal Charges	897,490			(897,490)
Total Governmental Activities	<u>\$45,782,007</u>	<u>\$755,868</u>	<u>\$1,378,489</u>	<u>(43,647,650)</u>
General Receipts:				
Property Taxes Levied for General Purposes				6,228,746
Property Taxes Levied for Permanent Improvements				497,411
Property Taxes Levied for Debt Retirement				817,964
Grants and Entitlements not Restricted to Specific Programs				8,125,059
Investment Earnings				81,258
Proceeds from Sale of Bonds				25,100,000
Premium on Sale of Bonds				2,704
Capitalized Interest on Sale of Bonds				137,234
Miscellaneous				100,624
Total General Receipts				<u>41,091,000</u>
Transfers				(1,500)
Total General Receipts and Transfers				<u>41,089,500</u>
Change in Net Position				(2,558,150)
Net Position Beginning of Year				<u>38,434,685</u>
Net Position End of Year				<u>\$35,876,535</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, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$1,395,497	\$24,318	\$379,941	\$201,287	\$2,001,043
Investments	9,070,008	158,057	23,339,170	1,308,257	33,875,492
Total Assets	<u>10,465,505</u>	<u>182,375</u>	<u>23,719,111</u>	<u>1,509,544</u>	<u>35,876,535</u>
Fund Balances:					
Restricted:					
Debt Service Fund		182,375			182,375
Capital Outlay			23,719,111	696,556	24,415,667
Food Services				385,789	385,789
Extracurricular				144,178	144,178
Special Education				14,156	14,156
Scholarships				95,143	95,143
Other Purposes				29,857	29,857
Committed:					
Termination Benefits	191,284				191,284
Other Purposes	11,000			43,865	54,865
Library Purposes				100,000	100,000
Assigned:					
Subsequent Year Appropriations	892,108				892,108
Current Obligations	148,348				148,348
Other Purposes	55,565				55,565
Unassigned	9,167,200				9,167,200
Total Fund Balances	<u>\$10,465,505</u>	<u>\$182,375</u>	<u>\$23,719,111</u>	<u>\$1,509,544</u>	<u>\$35,876,535</u>

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
MODIFIED CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Receipts:					
Property Taxes	\$6,228,746	\$817,964		\$497,411	\$7,544,121
Intergovernmental	6,703,513	97,539		1,481,864	8,282,916
Interest	80,120	84	\$49,236	1,054	130,494
Tuition and Fees	1,286,673				1,286,673
Extracurricular Activities	45,827			204,158	249,985
Charges for Services	2,375			384,873	387,248
Rentals				3,200	3,200
Miscellaneous	49,872		1,052	41,546	92,470
Total Receipts	<u>14,397,126</u>	<u>915,587</u>	<u>50,288</u>	<u>2,614,106</u>	<u>17,977,107</u>
Disbursements:					
Current:					
Instruction:					
Regular	7,058,204			589,576	7,647,780
Special	1,339,785			493,824	1,833,609
Other	1,051,935			911	1,052,846
Support Services					
Pupils	779,057				779,057
Instructional Staff	203,644			182,070	385,714
Board of Education	68,087	1,000			69,087
Administration	1,307,006			128,852	1,435,858
Fiscal	537,188	17,392	293	14,030	568,903
Operation and Maintenance of Plant	1,522,478			140,701	1,663,179
Pupil Transportation	848,403			106,654	955,057
Central	140,679			2,176	142,855
Non-Instructional Services				926,794	926,794
Extracurricular Activities	444,486			420,142	864,628
Capital Outlay			1,387,305	5,897	1,393,202
Debt Service:					
Principal Retirement	40,000	25,100,000		25,948	25,165,948
Interest and Fiscal Charges	9,896	874,401		13,193	897,490
Total Disbursements	<u>15,350,848</u>	<u>25,992,793</u>	<u>1,387,598</u>	<u>3,050,768</u>	<u>45,782,007</u>
Excess of Receipts Over (Under) Disbursements	<u>(953,722)</u>	<u>(25,077,206)</u>	<u>(1,337,310)</u>	<u>(436,662)</u>	<u>(27,804,900)</u>
Other Financing Sources (Uses):					
Proceeds from Sale of Bond Anticipation Notes		25,100,000			25,100,000
Premium on Sale of Bonds		2,704			2,704
Capitalized Interest on Sale of Bonds		137,234			137,234
Refund of Prior Year Expenditures	3,174			5,138	8,312
Advances In	65,500			65,500	131,000
Advances Out	(65,500)			(65,500)	(131,000)
Transfers In				82,185	82,185
Transfers Out	(82,185)			(1,500)	(83,685)
Total Other Financing Sources (Uses)	<u>(79,011)</u>	<u>25,239,938</u>	<u>(1,337,310)</u>	<u>85,823</u>	<u>25,246,750</u>
Net Change in Fund Balances	<u>(1,032,733)</u>	<u>162,732</u>	<u>(1,337,310)</u>	<u>(350,839)</u>	<u>(2,558,150)</u>
Fund Balances Beg of Year	11,498,238	19,643	25,056,421	1,860,383	38,434,685
Fund Balances End of Year	<u>\$10,465,505</u>	<u>\$182,375</u>	<u>\$23,719,111</u>	<u>\$1,509,544</u>	<u>\$35,876,535</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, 2013**

	<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	\$6,446,923	\$6,223,000	\$6,228,746	\$5,746
Intergovernmental	6,696,724	6,696,724	6,703,513	6,789
Interest	76,000	76,000	80,120	4,120
Tuition and Fees	1,304,000	1,304,000	1,286,673	(17,327)
Extracurricular Activities	28,700	28,700	45,827	17,127
Charges for Service			2,375	2,375
Miscellaneous	47,800	47,800	49,872	2,072
Total Receipts	<u>14,600,147</u>	<u>14,376,224</u>	<u>14,397,126</u>	<u>20,902</u>
Disbursements:				
Current:				
Instruction:				
Regular	7,203,751	7,112,051	7,075,853	36,198
Special	1,283,000	1,340,000	1,339,785	215
Vocational		1,000		
Other	1,061,000	1,061,000	1,051,935	9,065
Support Services:				
Pupils	674,663	788,063	779,356	8,707
Instructional Staff	149,980	211,680	203,671	8,009
Board of Education	61,381	80,481	78,217	2,264
Administration	1,331,323	1,323,923	1,308,875	15,048
Fiscal	581,620	543,920	541,679	2,241
Operation and Maintenance of Plant	1,653,600	1,626,200	1,613,445	12,755
Pupil Transportation	853,814	875,514	869,150	6,364
Central	154,000	152,800	140,679	12,121
Extracurricular Activities	497,096	473,596	446,655	26,941
Capital Outlay				
Debt Service:				
Principle Retirement	40,000	40,000	40,000	
Interest and Fiscal Charges	11,000	11,000	9,896	1,104
Total Disbursements	<u>15,556,228</u>	<u>15,641,228</u>	<u>15,499,196</u>	<u>142,032</u>
Excess of Receipts Under Disbursements	<u>(956,081)</u>	<u>(1,265,004)</u>	<u>(1,102,070)</u>	<u>162,934</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	400	400	3,174	2,774
Advances In	65,000	65,000	65,500	500
Advances Out			(65,500)	(65,500)
Transfers In				
Transfers Out	(148,000)	(148,000)	(82,185)	65,815
Total Other Financing Sources (Uses)	<u>(82,600)</u>	<u>(82,600)</u>	<u>(79,011)</u>	<u>3,589</u>
Net Change in Fund Balance	(1,038,681)	(1,347,604)	(1,181,081)	166,523
Fund Balance at Beginning of Year	11,340,397	11,340,397	11,340,397	
Prior Year Encumbrances Appropriated	157,841	157,841	157,841	
Fund Balance at End of Year	<u>\$10,459,557</u>	<u>\$10,150,634</u>	<u>\$10,317,157</u>	<u>\$166,523</u>

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$19,883	\$10,865
Net Position:		
Held for Trust for Scholarships:		
Expendable	19,883	
Held in Behalf of Student Activities		10,865
	\$19,883	\$10,865

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$14
Gifts and Donations	2,000
Transfer In	1,500
Total Additions	<u>3,514</u>
Deductions:	
Scholarships	<u>5,500</u>
Change in Net Position	(1,986)
Net Position at Beginning of Year	21,869
Net Position at End of Year	<u><u>\$19,883</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, 2013**

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 ninety-two classified employees and one hundred thirteen certified personnel who provide services to 2,026 students and other community members. The School District currently operates an elementary school, a middle school, and a high school.

Reporting Entity

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

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

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative; the Apollo Career Center; the Local Professional Development Committee Consortium – Spencerville, Perry, and Bath Local Schools; the Northwestern Ohio Educational Research Council, Inc.; the Allen County Schools Health Benefits Plan; and the 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, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting

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

B. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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.

Bond Retirement Fund – The Bond Retirement Fund is used to property taxes and other designated receipts to retire the bonds of the School District.

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

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

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, 2013
(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 2013, investments were limited to certificates of deposit, Federal notes, Ohio Municipal bonds, Mutual Funds, and STAR Ohio. Investments are reported at cost except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013. 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 2013 was \$80,120 of which \$0 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, 2013.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. The School District had no such items during the fiscal year.

K. Net Position

Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include money for 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 position are available.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balances

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

Non-spendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

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

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, the Board of Education.

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 School 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.

3. BUDGETARY BASIS OF ACCOUNTING

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

The encumbrances outstanding at year-end (budgetary basis) amount to \$148,348 in the General Fund.

4. DEPOSITS AND INVESTMENTS

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

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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 School 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 \$2,031,791 and the bank balance was \$2,726,359. Of the bank balance, \$1,795,723 was covered by federal depository insurance and \$930,636 was uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School 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 Deposit Insurance Corporation.

B. Investments

	Value of 6-30-13	% of Total Investment	0-1 Year	1-5 Years
Fed Farm Credit Bank Notes	\$1,012,070	2.99%	\$284,053	\$728,017
Fed Home Loan Bank Notes	2,774,023	8.19%	2,298,998	475,025
Fed Home Loan Mtg Notes	2,817,188	8.32%	712,049	2,105,139
Fed National Mtg Notes	2,929,388	8.65%	841,588	2,087,800
Ohio State Municipal Bonds	766,685	2.26%		766,685
Certificates of Deposit	21,400,000	63.17%	5,478,000	15,922,000
Mutual Funds	888,432	2.62%	888,432	
STAR Ohio	1,287,706	3.80%	1,287,706	
Totals	<u>\$33,875,492</u>	<u>100.00%</u>	<u>\$11,790,826</u>	<u>\$22,084,666</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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

D. Custodial Credit Risk

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

E. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's policy allows the Treasurer to invest in those investments authorized by the Ohio Revised Code, and places additional limitations with amounts authorized for investment in certain types.

The School District's investments include securities in Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Notes and Federal National Mortgage Notes that have credit ratings of Aaa from Moody's Investor Services. The mutual funds are not rated. The Municipal Bonds carry a rating of AA2 by Moody's and STAR Ohio carries a rating of AAA by Standard and Poor's.

F. Concentration Risk

The School District's policy places no limit on the amount the School District may invest in any one issuer. It is required that the School District's portfolio remain sufficiently liquid to meet reasonably anticipated operational requirements. 63% of the School District's investments are in certificates of deposits at various financial institutions with no one depository holding more than \$249,000. 28% of the School District's investments are in Federal Bonds. These investments account for approximately 91% of the School 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 and public utility property located in the School District. Real property tax receipts received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

5. PROPERTY TAXES (Continued)

Public utility property tax receipts received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Allen County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2013, are available to finance fiscal year 2013 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 2013 taxes were collected are:

	Collections	
	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$151,625,210	64.53 %
Industrial/Commercial	59,083,040	25.15
Utility Real	287,780	0.12
Utility Personal	23,959,870	10.20
Total Assessed Value	<u>\$234,955,900</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation:		
Personal Property	\$41.45	
Agricultural/Residential	40.19	
Industrial/Commercial	41.41	

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 2013, 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), a public entity shared risk pool consisting of ten school districts and the Allen County Educational Service Center. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program and the payment of claims. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. RISK MANAGEMENT (Continued)

For fiscal year 2013, the School District participated in the OASBO Comp Management Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". The "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

7. DEFINED BENEFIT PENSION PLANS

A. 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. 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, under "Publications".

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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2013, 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, 2013, 2012, and 2011 was \$909,920, \$936,377, and \$1,002,108, respectively; 84 percent has been contributed for fiscal year 2013 and 100 percent has been contributed for fiscal years 2012 and 2011.

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, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on the SERS' Ohio 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 of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ending June 30, 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively, with the remaining 0.9 percent allocated to the Medicare B and health care funds. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$331,448, \$307,109, and \$283,412, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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, 2013, some of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$69,994, \$72,029, and \$77,085 respectively. For fiscal year 2013, 84 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

B. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer postemployment benefit plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. 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 Medicare Part B Plan reimburses Medicare part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement for 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 premium for calendar year 2012 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, OH 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employer/Audit Resources."

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. 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. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active employee members do not contribute to the postemployment benefit plans. The 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 School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$4,048, \$13,300 and \$34,317, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For Fiscal Year 2013, this actuarially required allocation was 0.74 percent of covered payroll.

The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$18,723, \$18,136 and \$18,238, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEBT OBLIGATIONS

At June 30, 2013, the School District had four 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 12, 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 matured on November 15, 2012.

School Improvement Bonds – Series 2012 – During Fiscal Year 2013, \$25,100,000 in bonds were issued by the School District to build a new elementary school. The proceeds included \$2,704 premium and \$137,234 capitalized Interest. The bonds are being repaid over a 37 year period with interest rates from 1 to 5% and final payment due December 1, 2049.

	<u>Principal Outstanding 6/30/2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/2013</u>
Sewer Improvement Loan	\$248,196		(\$25,948)	\$222,248
General Obligation Bonds	555,000		(40,000)	515,000
Bond Anticipation Note	25,100,000		(25,100,000)	
Improvement Bonds		\$25,100,000		25,100,000
Total	<u>\$25,903,196</u>	<u>\$25,100,000</u>	<u>(\$25,165,948)</u>	<u>\$25,837,248</u>

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2013 are as follows:

Fiscal Year Ending	Sewer Improvements Project Loan		General Obligation Bonds		School Improvement Bonds		Total Due
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$27,236	\$11,650	\$40,000	\$9,157	\$415,000	\$1,177,151	\$1,680,194
2015	28,614	10,237	40,000	8,418	420,000	915,100	1,422,369
2016	30,084	8,757	40,000	7,678	425,000	908,800	1,420,319
2017	31,598	7,199	40,000	6,938	435,000	902,425	1,423,160
2018	33,203	11,443	40,000	6,198	158,940	1,176,963	1,426,747
2019-2023	71,513		225,000	18,731	1,951,060	4,729,191	6,995,495
2024-2028			90,000	1,665	2,575,000	4,105,750	6,772,415
2029-2033					3,050,000	3,629,675	6,679,675
2034-2038					3,605,000	3,067,425	6,672,425
2039-2043					4,315,000	2,357,200	6,672,200
2044-2048					6,480,000	1,404,500	7,884,500
2049-2050					1,270,000	187,500	1,457,500
Totals	<u>\$222,248</u>	<u>\$49,286</u>	<u>\$515,000</u>	<u>\$58,785</u>	<u>\$25,100,000</u>	<u>\$24,561,680</u>	<u>\$50,506,999</u>

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. SET ASIDES

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

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

	Capital Improvements
Set-Aside Reserve Balance at June 30, 2012	
Current year set-aside requirement	\$318,393
Current year offsets	
Current year qualifying expenditures	(690,346)
Total	(\$371,953)
Balance carried forward to fiscal year 2014	\$ 0
Set-aside reserve balance June 30, 2013	\$ 0

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

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 2013, the School District paid \$46,995 to NOACSC for various services. Financial information can be obtained from Ray Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

B. Apollo Career Center

The Apollo Career Center (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 Career Center, Greg Bukowski, who serves as Treasurer, 3325 Shawnee Road, Lima, Ohio 45806.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS

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

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

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

D. Northwestern Ohio Educational Research Council, Inc.

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

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, 204 North Main Street, Lima, Ohio 45801.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. INSURANCE POOLS (Continued)

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 School District's 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

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

15. INTERFUND TRANSFERS

During fiscal year 2013, the School District transferred \$71,685 from the General Fund to the Education Management Info System Fund and \$10,500 from the General Fund to the RECAL Fund. In addition, \$1,500 was transferred from the Athletic Fund (Other Governmental Fund) to the Pepsi Scholarship Fund (Agency Fund).

16. INTERFUND ADVANCES

During fiscal year 2013, the School District made advances between funds as follows:

	<u>Advances-In</u>	<u>Advances-Out</u>
Governmental:		
General Fund	\$ 65,500	\$ 65,500
All Other Governmental Funds	65,500	65,500
Total Governmental	\$131,000	\$131,000

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

17. ACCOUNTABILITY AND COMPLIANCE

A. Accountability - Change in Accounting Principles

For Fiscal Year 2013, the School District has implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements".

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

For fiscal year 2013, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the School District fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

B. Compliance

Ohio Administrative Code Section 117-2-03 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2013, the School District prepared its financial report on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

18. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The Bath School community passed a \$25.1 million bond issue on March 6, 2012 for a new K-5 elementary building. The project is currently in the construction phase. As of October 31, 2013, a total of \$3,836,757 has been expended from the 004 Building Construction fund, with an additional \$20,251,063 encumbered. Costs include architect, construction manager at risk, engineering and legal services.

19. SUBSEQUENT EVENTS

On August 29, 2013, an employee of Bath Local School District filed an appeal in the Allen County Court of Common Pleas. The employee is appealing the June 21, 2013 decision of The Industrial Commission of Ohio regarding her Ohio Bureau of Workers' Compensation claim number 13-304559. The Bath Local Board of Education is in contact with The Industrial Commission of Ohio, the Ohio Bureau of Workers' Compensation, and Scott, Scriven and Wahoff LLP, who is representing the School District in this action. No court date has been established at this time.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

19. SUBSEQUENT EVENTS (Continued)

On December 10, 2013, a parent of a former student of the Bath Local School District filed a lawsuit in the Allen County Court of Common Pleas against Bath Local Schools and Jon Roe, a former student of Bath Schools. Plaintiff alleges that her child was sexually assaulted at least four times by Jon Roe on a Bath Local Schools' bus, and that the School District's negligence has caused emotional distress on her child. Plaintiff demands compensatory damages in an amount in excess of \$25,000 and non-economic damages in the amount of \$250,000 for each alleged occurrence. The Bath Local Board of Education is in contact with Governmental Underwriters of America, who carries their liability insurance coverage. Scott, Scriven and Wahoff LLP is representing the School District in this action. The law firm has been instructed to vigorously pursue and protect the Board's interests but cannot, of course, guarantee the outcome of a legal proceeding. The Board of Education is preparing a response to the complaint.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
School Breakfast Program	10.553		\$1,404		\$1,404
National School Lunch Program	10.555		97,302		97,302
School Breakfast Program	10.553	\$57,036		\$57,036	
National School Lunch Program	10.555	351,023		351,023	
Total Nutrition Cluster		<u>408,059</u>	<u>98,706</u>	<u>408,059</u>	<u>98,706</u>
Total U.S. Department of Agriculture		<u>408,059</u>	<u>98,706</u>	<u>408,059</u>	<u>98,706</u>
U.S. DEPARTMENT OF EDUCATION					
(Passed through Ohio Department of Education)					
Title 1 Grants to Local Educational Agencies	84.010	406,000		374,257	
Special Education Grants to States	84.027	359,008		353,105	
Education Technology State Grants	84.318	2,452		2,652	
Rural Education	84.358	24,800		23,838	
Improving Teacher Quality State Grants	84.367	70,010		69,714	
Race to the Top Incentive Grants, Recovery Act	84.395	1,050		1,050	
Total U.S. Department of Education		<u>863,320</u>		<u>824,616</u>	
Total Federal Assistance		<u>\$1,271,379</u>	<u>\$98,706</u>	<u>\$1,232,675</u>	<u>\$98,706</u>

See accompanying notes to the schedule of federal awards receipts and disbursements

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipt and Disbursements (the Schedule) reports the Bath Local School District's (the School District) 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.

NOTE D - PASS THROUGH FUNDS

The School District was awarded federal program allocations to be administered on their behalf by the Allen County Educational Service Center. For 2013 the School District's allocation was as follows:

Early Childhood Special Education, IDEA – CFDA# 84.173.....\$4,193



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bath Local School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 25, 2014, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

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
www.ohioauditor.gov

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 25, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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
600 School Street
Spencerville, Ohio 45887

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Bath Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Bath Local School District's major federal programs for the fiscal year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Bath Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2013-002. This finding did not require us to modify our compliance opinion on each major federal program.

The School District's response to our noncompliance finding 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.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2013-002.

The School District's response to the internal control over compliance finding we identified 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.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 25, 2014

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**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2013-001

Noncompliance Citation

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

Ohio Adm. Code Section 117-2-03 (B) requires all school districts to file annual financial reports in accordance with generally accepted accounting principles (GAAP). 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 its financial statements according to generally accepted accounting principles to provide any user with more meaningful and useful 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

Finding Number	2013-002
CFDA Title and Number	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 and National School Lunch Program – CFDA #10.555
Federal Award Number / Year	2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Significant Deficiency - Eligibility

7 CFR 245.10(a)(2) states that for children who are not categorically eligible for free and reduced price benefits, the local educational agency will determine eligibility for free and reduced price meals or free milk accordance with the current Income Eligibility Guidelines.

Four percent (1 of 25) of the free/reduce applications tested were found to have the wrong eligibility determination. In the instance where an error was found, the students were given reduced price meals where if the proper determination had been made, they would have been denied for free/reduced price meals. The estimated dollar amount of unauthorized funds received from this error was \$694.

Failure to correctly determine eligibility determination could result in the need to return receipts to the grantor agency. The School District should perform an additional review of eligibility calculations to help detect errors.

OFFICIAL'S RESPONSE:

A simple mathematical error was made. We understand the form and the eligibility criteria and will make every effort to avoid errors in the future.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-002	A simple mathematical error was made. We understand the form and the eligibility criteria and will make every effort to avoid errors in the future.	February 18, 2014	Annette Morman, Treasurer

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	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	No	Repeated as 2013-001



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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Bath Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on August 28, 2012, to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 25, 2014

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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 25, 2014**