

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

TABLE OF CONTENTS

| TITLE   | PAGE |
|---|------|
| Independent Accountants' Report.....  | 1    |
| Management's Discussion and Analysis.....   | 3    |
| Basic Financial Statements:   |      |
| Government-Wide Financial Statements:   |      |
| Statement of Net Assets .....   | 13   |
| Statement of Activities .....   | 14   |
| Fund Financial Statements:  |      |
| Balance Sheet - Governmental Funds.....   | 15   |
| Reconciliation of Total Governmental Fund Balances to<br>Net Assets of Governmental Activities.....   | 16   |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances - Governmental Funds .....   | 17   |
| Reconciliation of Statement of Revenues, Expenditures, and Changes in<br>Fund Balances of Governmental Funds to the Statement of Activities .....   | 18   |
| Statement of Revenues, Expenditures, and Changes in Fund Balance -<br>Budget (Non-GAAP Basis) and Actual Comparison - General Fund .....  | 19   |
| Statement of Fiduciary Net Assets - Fiduciary Funds .....   | 20   |
| Notes to the Basic Financial Statements .....   | 21   |
| Schedule of Federal Awards Receipts and Expenditures.....   | 48   |
| Notes to the Schedule of Federal Awards Receipts and Expenditures .....   | 49   |
| Independent Accountants' Report on Internal Control Over Financial Reporting<br>and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....                  | 51   |
| Independent Accountants' Report on Compliance with Requirements<br>Applicable to Major Federal Programs and Internal Control Over<br>Compliance in Accordance with OMB Circular A-133 ..... | 53   |
| Schedule of Findings.....   | 55   |

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Benton-Carroll-Salem Local School District  
Ottawa County  
11685 West State Route 163  
Oak Harbor, Ohio 43449-1278

To the Board of Education:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Benton-Carroll-Salem Local School District, Ottawa County, Ohio, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

One Government Center / Suite 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by 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. We subjected the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 31, 2009

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The management's discussion and analysis of the Benton-Carroll-Salem Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$607,548 which represents a 3.42% decrease from 2007.
- General revenues accounted for \$17,941,472 in revenue or 83.71% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,490,464 or 16.29% of total revenues of \$21,431,936.
- The District had \$22,039,484 in expenses related to governmental activities; \$3,490,464 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$17,941,472 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$18,490,462 in revenues and \$18,750,222 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance decreased \$259,760 from \$4,351,712 to \$4,091,952.
- The permanent improvement fund had \$647,581 in revenues and \$1,202,673 in expenditures. During fiscal year 2008, the permanent improvement fund's fund balance decreased \$555,092 from \$2,002,045 to \$1,446,953.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements.

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.



**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**The District as a Whole**

The table below provides a summary of the District's net assets for fiscal years 2008 and 2007.

|  | <b>Net Assets</b>                         |   |
|--|---|---|
|  | Governmental<br>Activities<br><u>2008</u> | Governmental<br>Activities<br><u>2007</u> |
| <b><u>Assets</u></b>                               |   |   |
| Current and other assets                           | \$ 17,614,685                             | \$ 18,134,536                             |
| Capital assets                                     | <u>11,049,158</u>                         | <u>11,332,414</u>                         |
| Total assets                                       | <u>28,663,843</u>                         | <u>29,466,950</u>                         |
| <b><u>Liabilities</u></b>                          |   |   |
| Current liabilities                                | 9,964,454                                 | 10,127,045                                |
| Long-term liabilities                              | <u>1,557,502</u>                          | <u>1,590,470</u>                          |
| Total liabilities                                  | <u>11,521,956</u>                         | <u>11,717,515</u>                         |
| <b><u>Net Assets</u></b>                           |   |   |
| Invested in capital<br>assets, net of related debt | 11,049,158                                | 11,241,051                                |
| Restricted   | 3,077,068                                 | 3,298,776                                 |
| Unrestricted                                       | <u>3,015,661</u>                          | <u>3,209,608</u>                          |
| Total net assets                                   | <u>\$ 17,141,887</u>                      | <u>\$ 17,749,435</u>                      |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$17,141,887. Of this total, \$3,077,068 is restricted in use.

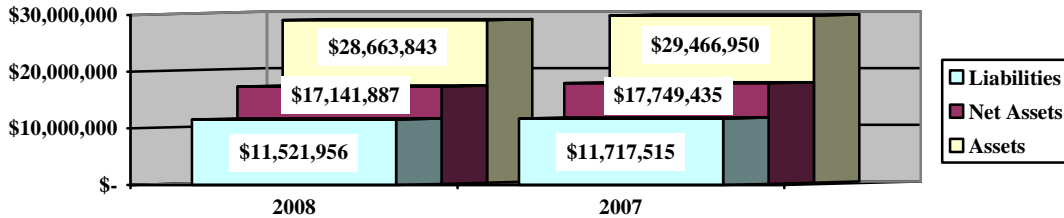
At year-end, capital assets represented 38.55% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of accumulated depreciation at June 30, 2008, were \$11,049,158. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$3,077,068, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,015,661 may be used to meet the District's ongoing obligations to the students and creditors.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2008 and 2007.

**Change in Net Assets**

|                                    | Governmental<br>Activities<br>2008 | Governmental<br>Activities<br>2007 |
|------------------------------------|------------------------------------|------------------------------------|
| <b><u>Revenues</u></b>             |                                    |                                    |
| Program revenues:                  |                                    |                                    |
| Charges for services and sales     | \$ 1,661,051                       | \$ 1,478,268                       |
| Operating grants and contributions | 1,468,576                          | 1,209,889                          |
| Capital grants and contributions   | 360,837                            | 306,480                            |
| General revenues:                  |                                    |                                    |
| Property taxes                     | 8,219,308                          | 8,512,470                          |
| Grants and entitlements            | 9,222,704                          | 9,034,202                          |
| Investment earnings                | 464,038                            | 539,680                            |
| Other                              | 35,422                             | 31,083                             |
| <b>Total revenues</b>              | <u>21,431,936</u>                  | <u>21,112,072</u>                  |

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**Change in Net Assets**

|  | Governmental<br>Activities<br><u>2008</u> | Governmental<br>Activities<br><u>2007</u> |
|--|---|---|
| <b><u>Expenses</u></b>                   |   |   |
| Program expenses:                        |   |   |
| Instruction:                             |   |   |
| Regular                                  | \$ 9,306,580                              | \$ 8,487,691                              |
| Special                                  | 1,750,545                                 | 1,384,479                                 |
| Vocational                               | 26,864                                    | 19,891                                    |
| Adult/continuing                         | 113                                       | 260                                       |
| Other                                    | 280,205                                   | 262,375                                   |
| Support services:                        |   |   |
| Pupil                                    | 1,114,095                                 | 1,180,952                                 |
| Instructional staff                      | 1,041,579                                 | 922,178                                   |
| Board of education                       | 195,148                                   | 160,477                                   |
| Administration                           | 1,586,764                                 | 1,523,400                                 |
| Fiscal                                   | 488,757                                   | 445,008                                   |
| Operations and maintenance               | 2,744,889                                 | 2,606,744                                 |
| Pupil transportation                     | 1,329,983                                 | 1,148,779                                 |
| Central                                  | 301,851                                   | 439,446                                   |
| Food service operations                  | 902,067                                   | 834,282                                   |
| Operations of non-instructional services | 281,561                                   | 301,294                                   |
| Extracurricular activities               | 686,375                                   | 648,415                                   |
| Interest and fiscal charges              | <u>2,108</u>                              | <u>5,317</u>                              |
| Total expenses                           | <u>22,039,484</u>                         | <u>20,370,988</u>                         |
| Change in net assets                     | (607,548)                                 | 741,084                                   |
| Net assets at beginning of year          | <u>17,749,435</u>                         | <u>17,008,351</u>                         |
| Net assets at end of year                | <u>\$ 17,141,887</u>                      | <u>\$ 17,749,435</u>                      |

**Governmental Activities**

Net assets of the District's governmental activities decreased \$607,548. Total governmental expenses of \$22,039,484 were offset by program revenues of \$3,490,464 and general revenues of \$17,941,472. Program revenues supported 15.84% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 81.38% of total governmental revenue.

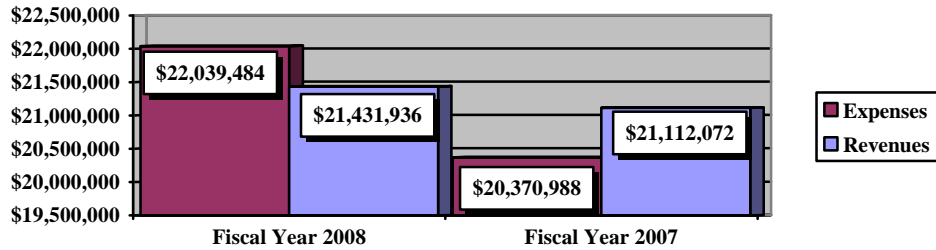
The largest expense of the District is for instructional programs. Instruction expenses totaled \$11,364,307 or 51.56% of total governmental expenses for fiscal 2008.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

|  | Total Cost of<br>Services<br>2008 | Net Cost of<br>Services<br>2008 | Total Cost of<br>Services<br>2007 | Net Cost of<br>Services<br>2007 |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| <b>Program expenses</b>                  |                                   |                                 |                                   |                                 |
| Instruction:                             |                                   |                                 |                                   |                                 |
| Regular                                  | \$ 9,306,580                      | \$ 8,451,225                    | \$ 8,487,691                      | \$ 7,849,744                    |
| Special                                  | 1,750,545                         | 1,273,230                       | 1,384,479                         | 1,188,068                       |
| Vocational                               | 26,864                            | 26,268                          | 19,891                            | 19,891                          |
| Adult/continuing                         | 113                               | 113                             | 260                               | 260                             |
| Other                                    | 280,205                           | 280,205                         | 262,375                           | 262,375                         |
| Support services:                        |                                   |                                 |                                   |                                 |
| Pupil                                    | 1,114,095                         | 862,188                         | 1,180,952                         | 839,728                         |
| Instructional staff                      | 1,041,579                         | 1,016,270                       | 922,178                           | 852,243                         |
| Board of education                       | 195,148                           | 195,148                         | 160,477                           | 160,477                         |
| Administration                           | 1,586,764                         | 1,479,626                       | 1,523,400                         | 1,403,586                       |
| Fiscal                                   | 488,757                           | 483,203                         | 445,008                           | 438,726                         |
| Operations and maintenance               | 2,744,889                         | 2,627,385                       | 2,606,744                         | 2,569,162                       |
| Pupil transportation                     | 1,329,983                         | 1,124,447                       | 1,148,779                         | 1,104,900                       |
| Central                                  | 301,851                           | 145,863                         | 439,446                           | 190,935                         |
| Food service operations                  | 902,067                           | 70,613                          | 834,282                           | 12,893                          |
| Operations of non-instructional services | 281,561                           | 16,311                          | 301,294                           | 45,204                          |
| Extracurricular activities               | 686,375                           | 494,817                         | 648,415                           | 432,842                         |
| Interest and fiscal charges              | 2,108                             | 2,108                           | 5,317                             | 5,317                           |
| <b>Total expenses</b>                    | <b>\$ 22,039,484</b>              | <b>\$ 18,549,020</b>            | <b>\$ 20,370,988</b>              | <b>\$ 17,376,351</b>            |

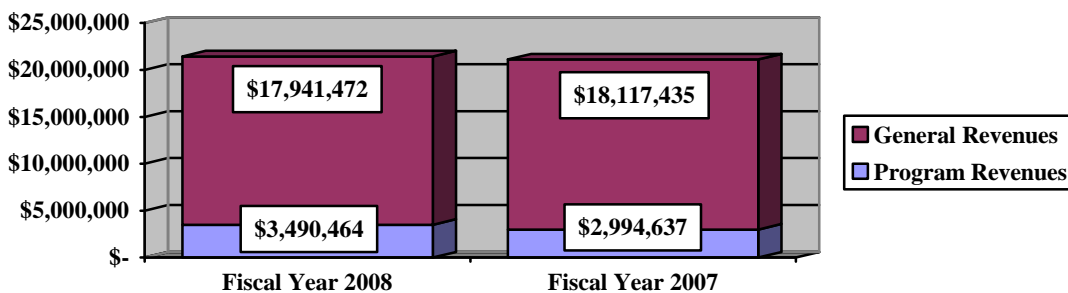
**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

The dependence upon tax and other general revenues for governmental activities is apparent, 88.27% of instructional activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.16%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$7,094,323, which is lower than last year's total of \$7,455,743. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

|                       | Fund Balance<br>June 30, 2008 | Fund Balance<br>June 30, 2007 | Increase<br>(Decrease) | Percentage<br>Change |
|-----------------------|-------------------------------|-------------------------------|------------------------|----------------------|
| General               | \$ 4,091,952                  | \$ 4,351,712                  | \$ (259,760)           | (5.97) %             |
| Permanent Improvement | 1,446,953                     | 2,002,045                     | (555,092)              | (27.73) %            |
| Other Governmental    | <u>1,555,418</u>              | <u>1,101,986</u>              | <u>453,432</u>         | 41.15 %              |
| Total                 | <u>\$ 7,094,323</u>           | <u>\$ 7,455,743</u>           | <u>\$ (361,420)</u>    | (4.85) %             |

**General Fund**

The District's general fund balance decreased \$259,760. The fund balance decrease was a result of transfers out of the general fund and increase in instructional expense due to wage increases. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

|   | <u>2008</u><br><u>Amount</u> | <u>2007</u><br><u>Amount</u> | <u>Increase</u><br><u>(Decrease)</u> | <u>Percentage</u><br><u>Change</u> |
|---|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <b><u>Revenues</u></b>                  |                              |                              |                                      |                                    |
| Taxes                                   | \$ 7,904,634                 | \$ 8,177,757                 | \$ (273,123)                         | (3.34) %                           |
| Tuition                                 | 430,681                      | 426,987                      | 3,694                                | 0.87 %                             |
| Earnings on investments                 | 426,796                      | 517,244                      | (90,448)                             | (17.49) %                          |
| Intergovernmental                       | 9,688,500                    | 9,034,202                    | 654,298                              | 7.24 %                             |
| Other revenues                          | <u>39,851</u>                | <u>22,905</u>                | <u>16,946</u>                        | 73.98 %                            |
| Total                                   | <u>\$ 18,490,462</u>         | <u>\$ 18,179,095</u>         | <u>\$ 311,367</u>                    | 1.71 %                             |
| <b><u>Expenditures</u></b>              |                              |                              |                                      |                                    |
| Instruction                             | \$ 10,140,065                | \$ 9,490,633                 | \$ 649,432                           | 6.84 %                             |
| Support services                        | 7,665,010                    | 7,464,902                    | 200,108                              | 2.68 %                             |
| Non-instructional services              | 29,770                       | 12,252                       | 17,518                               | 142.98 %                           |
| Extracurricular activities              | 390,257                      | 344,650                      | 45,607                               | 13.23 %                            |
| Facilities acquisition and construction | <u>120</u>                   | <u>120</u>                   | <u>-</u>                             | - %                                |
| Total                                   | <u>\$ 18,225,222</u>         | <u>\$ 17,312,557</u>         | <u>\$ 912,665</u>                    | 5.27 %                             |

The increase in tuition revenue is due to an increase in open-enrollment students for fiscal year 2008. The decrease in earnings on investments revenue is the result of a decrease in interest rates for fiscal year 2008. The increase in non-instructional services is a large percentage, but is an immaterial dollar amount. All other revenues and expenditures are consistent with the prior year. Even though revenue was more than expenditures in 2008, the General Fund's balance decreased during the year due to \$255,000 transferred to nonmajor funds.

***Permanent Improvement Fund***

The permanent improvement fund had \$647,581 in revenues and \$1,202,673 in expenditures. During fiscal year 2008, the permanent improvement fund's fund balance decreased \$555,092 from \$2,002,045 to \$1,446,953 as a result of major capital improvement expenditures.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on 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 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$18,011,000 were increased to \$18,526,239 in the final budget. Actual revenues and other financing sources for fiscal 2008 was \$18,580,784. This represents a \$54,545 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$18,107,934 were increased to \$19,617,209 in the final appropriations. The actual budget basis expenditures for fiscal year 2008 totaled \$18,858,868, which was \$758,341 less than the final budget appropriations.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2008, the District had \$11,049,158 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

**Capital Assets at June 30  
(Net of Depreciation)**

|                           | Governmental Activities |               |
|---------------------------|-------------------------|---------------|
|                           | 2008                    | 2007          |
| Land                      | \$ 372,525              | \$ 372,525    |
| Land improvements         | 452,683                 | 472,679       |
| Building and improvements | 9,178,484               | 9,547,254     |
| Furniture and equipment   | 124,045                 | 123,036       |
| Vehicles                  | 921,421                 | 816,920       |
| Total                     | \$ 11,049,158           | \$ 11,332,414 |

The overall decrease in capital assets of \$283,256 is due to depreciation expense of \$538,618 and disposals of \$9,000 net of accumulated depreciation exceeding capital outlays of \$264,362 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2008, the District had no outstanding debt. During fiscal year 2008, the District retired the energy conservation loan outstanding. The following table summarizes the energy conservation loans outstanding at June 30, 2007.

**Outstanding Debt, at Year End**

|                          | Governmental | Governmenta |
|--------------------------|--------------|-------------|
|                          | Activities   | Activities  |
|                          | 2008         | 2007        |
| Energy Conservation Loan | \$ -         | \$ 91,363   |
| Total                    | \$ -         | \$ 91,363   |

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**Current Financial Related Activities**

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon the tax revenue from the nuclear power plant that is located in the district. We have experienced a reduction of 1.5 million dollars due to the re-calculation of the apportionment of nuclear fuel. We currently have a lawsuit filed with the Department of Taxation challenging the ruling of this apportionment to recoup this money lost.

State aid will show no increase or decrease as we will always rely heavily on the property tax relief fund. Any increase or decrease in state aid is automatically offset by this fund to keep us at a zero net sum gain. The District ended the year with a 5 million dollar carry over balance which will provide time to look at future cost cutting options as well as the possibility of new operating levies.

The District's systems of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Jeff Dornbusch, Treasurer, Benton-Carroll-Salem Local School District, 11685 W. St. Rt. 163, Oak Harbor, Ohio 43449.



**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

STATEMENT OF NET ASSETS  
JUNE 30, 2008

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>Assets:</b>                                      |                                    |
| Equity in pooled cash and cash equivalents. . . . . | \$ 8,926,386                       |
| Cash in segregated accounts. . . . .                | 12,300                             |
| Receivables:  |                                    |
| Taxes . . . . .                                     | 8,285,329                          |
| Accounts . . . . .                                  | 873                                |
| Intergovernmental . . . . .                         | 177,507                            |
| Accrued interest . . . . .                          | 150,104                            |
| Prepayments . . . . .                               | 19,079                             |
| Materials and supplies inventory. . . . .           | 43,107                             |
| Capital assets:                                     |                                    |
| Land . . . . .                                      | 372,525                            |
| Depreciable capital assets, net. . . . .            | 10,676,633                         |
| Total capital assets, net . . . . .                 | 11,049,158                         |
| <br>Total assets. . . . .                           | <br>28,663,843                     |
| <br><b>Liabilities:</b>                             |                                    |
| Accounts payable. . . . .                           | 310,411                            |
| Accrued wages and benefits . . . . .                | 1,761,576                          |
| Pension obligation payable. . . . .                 | 493,719                            |
| Intergovernmental payable . . . . .                 | 57,827                             |
| Unearned revenue. . . . .                           | 7,340,921                          |
| Long-term liabilities:                              |                                    |
| Due within one year. . . . .                        | 145,981                            |
| Due in more than one year . . . . .                 | 1,411,521                          |
| Total liabilities . . . . .                         | 11,521,956                         |
| <br><b>Net Assets:</b>                              |                                    |
| Invested in capital assets . . . . .                | 11,049,158                         |
| Restricted for:                                     |                                    |
| Capital projects . . . . .                          | 1,965,066                          |
| Locally funded programs . . . . .                   | 24,956                             |
| State funded programs . . . . .                     | 51,679                             |
| Federally funded programs . . . . .                 | 34,054                             |
| Student activities . . . . .                        | 45,226                             |
| Other purposes . . . . .                            | 956,087                            |
| Unrestricted . . . . .                              | 3,015,661                          |
| Total net assets . . . . .                          | \$ 17,141,887                      |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

|  | <u>Expenses</u>      | <u>Program Revenues</u>                       |   |   | <u>Net Revenue<br/>(Expense) and<br/>Changes in<br/>Net Assets</u> |
|--|----------------------|---|---|---|--|
|  |                      | <u>Charges for<br/>Services<br/>and Sales</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u>                                 |
| <b>Governmental activities:</b>  |                      |   |   |   |  |
| Instruction:   |                      |   |   |   |  |
| Regular . . . . .  | \$ 9,306,580         | \$ 788,429                                    | \$ 65,925   | \$ 1,001  | \$ (8,451,225)   |
| Special . . . . .  | 1,750,545            |   | 477,315   |   | (1,273,230)  |
| Vocational . . . . .   | 26,864               |   | 596   |   | (26,268)   |
| Adult/continuing . . . . .   | 113                  |   |   |   | (113)  |
| Other . . . . .  | 280,205              |   |   |   | (280,205)  |
| Support services:  |                      |   |   |   |  |
| Pupil . . . . .  | 1,114,095            |   | 251,907   |   | (862,188)  |
| Instructional staff . . . . .  | 1,041,579            |   | 25,309  |   | (1,016,270)  |
| Board of education . . . . .   | 195,148              |   |   |   | (195,148)  |
| Administration . . . . .   | 1,586,764            | 14,694  | 91,581  | 863   | (1,479,626)  |
| Fiscal . . . . .   | 488,757              |   |   | 5,554   | (483,203)  |
| Operations and maintenance . . . . .                                     | 2,744,889            | 9,446   | 4,029   | 104,029   | (2,627,385)  |
| Pupil transportation . . . . .   | 1,329,983            |   | 55,570  | 149,966   | (1,124,447)  |
| Central . . . . .  | 301,851              |   | 56,564  | 99,424  | (145,863)  |
| Operation of non-instructional<br>services:                              |                      |   |   |   |  |
| Food service operations . . . . .  | 902,067              | 522,910                                       | 308,544   |   | (70,613)   |
| Other non-instructional services . . . . .                               | 281,561              | 147,513                                       | 117,737   |   | (16,311)   |
| Extracurricular activities . . . . .                                     | 686,375              | 178,059                                       | 13,499  |   | (494,817)  |
| Interest and fiscal charges . . . . .                                    | 2,108                |   |   |   | (2,108)  |
| <b>Total governmental activities . . . . .</b>                           | <b>\$ 22,039,484</b> | <b>\$ 1,661,051</b>                           | <b>\$ 1,468,576</b>                               | <b>\$ 360,837</b>                               | <b>(18,549,020)</b>  |
| <br>   |                      |   |   |   |  |
| <b>General Revenues:</b>   |                      |   |   |   |  |
| Property taxes levied for:   |                      |   |   |   |  |
| General purposes . . . . .   |                      |   |   |   | 7,907,785  |
| Capital projects . . . . .   |                      |   |   |   | 311,523  |
| Grants and entitlements not restricted<br>to specific programs . . . . . |                      |   |   |   | 9,222,704  |
| Investment earnings . . . . .  |                      |   |   |   | 464,038  |
| Miscellaneous . . . . .  |                      |   |   |   | 35,422   |
| <b>Total general revenues . . . . .</b>                                  |                      |   |   |   | <b>17,941,472</b>  |
| <br>   |                      |   |   |   |  |
| Change in net assets . . . . .   |                      |   |   |   | (607,548)  |
| <b>Net assets at beginning of year . . . . .</b>                         |                      |   |   |   | <b>17,749,435</b>  |
| <br>   |                      |   |   |   |  |
| <b>Net assets at end of year . . . . .</b>                               |                      |   |   |   | <b>\$ 17,141,887</b>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

|  | <u>General</u>       | <u>Permanent<br/>Improvement</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|----------------------------------|---|---|
| <b>Assets:</b>   |                      |                                  |   |   |
| Equity in pooled cash<br>and cash equivalents . . . . .              | \$ 5,240,522         | \$ 1,665,053                     | \$ 1,597,419                            | \$ 8,502,994                            |
| Cash in segregated accounts. . . . .                                 | 12,300               |                                  |   | 12,300                                  |
| Receivables:   |                      |                                  |   |   |
| Taxes. . . . .   | 7,970,481            | 314,848                          |   | 8,285,329                               |
| Accounts . . . . .   | 186                  |                                  | 687                                     | 873                                     |
| Intergovernmental . . . . .  |                      |                                  | 177,507                                 | 177,507                                 |
| Accrued interest . . . . .   | 150,104              |                                  |   | 150,104                                 |
| Due from other funds . . . . .                                       | 115,648              |                                  |   | 115,648                                 |
| Prepayments . . . . .  | 19,079               |                                  |   | 19,079                                  |
| Materials and supplies inventory . . . . .                           | 27,337               |                                  | 15,770                                  | 43,107                                  |
| Restricted assets:   |                      |                                  |   |   |
| Equity in pooled cash<br>and cash equivalents . . . . .              | 423,392              |                                  |   | 423,392                                 |
| <b>Total assets . . . . .</b>  | <b>\$ 13,959,049</b> | <b>\$ 1,979,901</b>              | <b>\$ 1,791,383</b>                     | <b>\$ 17,730,333</b>                    |
| <b>Liabilities:</b>  |                      |                                  |   |   |
| Accounts payable . . . . .   | \$ 62,590            | \$ 236,241                       | \$ 11,580                               | \$ 310,411                              |
| Accrued wages and benefits. . . . .                                  | 1,705,372            |                                  | 56,204                                  | 1,761,576                               |
| Pension obligation payable . . . . .                                 | 444,560              |                                  | 49,159                                  | 493,719                                 |
| Intergovernmental payable. . . . .                                   | 55,413               |                                  | 2,414                                   | 57,827                                  |
| Retirement incentive payable . . . . .                               | 30,000               |                                  |   | 30,000                                  |
| Due to other funds. . . . .  |                      |                                  | 115,648                                 | 115,648                                 |
| Deferred revenue. . . . .  | 507,110              | 17,838                           | 960                                     | 525,908                                 |
| Unearned revenue . . . . .   | 7,062,052            | 278,869                          |   | 7,340,921                               |
| <b>Total liabilities. . . . .</b>                                    | <b>9,867,097</b>     | <b>532,948</b>                   | <b>235,965</b>                          | <b>10,636,010</b>                       |
| <b>Fund Balances:</b>  |                      |                                  |   |   |
| Reserved for encumbrances . . . . .                                  | 191,145              | 459,716                          | 44,612                                  | 695,473                                 |
| Reserved for materials and<br>supplies inventory . . . . .           | 27,337               |                                  | 15,770                                  | 43,107                                  |
| Reserved for property tax unavailable<br>for appropriation . . . . . | 518,558              | 18,141                           |   | 536,699                                 |
| Reserved for prepayments . . . . .                                   | 19,079               |                                  |   | 19,079                                  |
| Reserved for school bus purchases . . . . .                          | 10,663               |                                  |   | 10,663                                  |
| Reserved for instructional materials. . . . .                        | 412,729              |                                  |   | 412,729                                 |
| Designated for termination benefits. . . . .                         |                      |                                  | 532,695                                 | 532,695                                 |
| Designated for capital improvements. . . . .                         |                      |                                  | 500,000                                 | 500,000                                 |
| Unreserved, undesignated, reported in:                               |                      |                                  |   |   |
| General fund . . . . .   | 2,912,441            |                                  |   | 2,912,441                               |
| Special revenue funds . . . . .                                      |                      |                                  | 462,066                                 | 462,066                                 |
| Capital projects funds . . . . .                                     |                      | 969,096                          | 275                                     | 969,371                                 |
| <b>Total fund balances . . . . .</b>                                 | <b>4,091,952</b>     | <b>1,446,953</b>                 | <b>1,555,418</b>                        | <b>7,094,323</b>                        |
| <b>Total liabilities and fund balances. . . . .</b>                  | <b>\$ 13,959,049</b> | <b>\$ 1,979,901</b>              | <b>\$ 1,791,383</b>                     | <b>\$ 17,730,333</b>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

|  |            |                      |
|--|------------|----------------------|
| <b>Total governmental fund balances</b>  |            | \$ 7,094,323         |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>                                  |            |                      |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                    |            | 11,049,158           |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.                   |            |                      |
| Taxes  | \$ 407,709 |                      |
| Accrued interest   | 117,239    |                      |
| Intergovernmental revenue  | 960        |                      |
| Total  |            | 525,908              |
| Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds. |            |                      |
| Compensated absences   | 1,527,502  |                      |
| Total  |            | (1,527,502)          |
| <b>Net assets of governmental activities</b>   |            | <b>\$ 17,141,887</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

|  | <u>General</u>      | <u>Permanent<br/>Improvement</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|----------------------------------|---|---|
| <b>Revenues:</b>   |                     |                                  |   |   |
| From local sources:  |                     |                                  |   |   |
| Taxes . . . . .  | \$ 7,904,634        | \$ 311,265                       |   | \$ 8,215,899                            |
| Tuition. . . . .   | 430,681             |                                  |   | 430,681                                 |
| Earnings on investments. . . . .                                       | 426,796             | 12,717                           | \$ 3,093                                | 442,606                                 |
| Charges for services . . . . .   |                     |                                  | 648,992                                 | 648,992                                 |
| Extracurricular. . . . .   | 24,138              |                                  | 218,931                                 | 243,069                                 |
| Classroom materials and fees . . . . .                                 | 155                 |                                  | 90,541                                  | 90,696                                  |
| Other local revenues. . . . .  | 15,558              |                                  | 111,672                                 | 127,230                                 |
| Intergovernmental - State. . . . .                                     | 9,688,500           | 323,599                          | 125,119                                 | 10,137,218                              |
| Intergovernmental - Federal . . . . .                                  |                     |                                  | 1,065,252                               | 1,065,252                               |
| <b>Total revenue. . . . .</b>  | <b>18,490,462</b>   | <b>647,581</b>                   | <b>2,263,600</b>                        | <b>21,401,643</b>                       |
| <b>Expenditures:</b>   |                     |                                  |   |   |
| Current:   |                     |                                  |   |   |
| Instruction:   |                     |                                  |   |   |
| Regular . . . . .  | 8,469,278           | 1,051                            | 234,114                                 | 8,704,443                               |
| Special. . . . .   | 1,374,568           |                                  | 309,087                                 | 1,683,655                               |
| Vocational. . . . .  | 25,941              |                                  |   | 25,941                                  |
| Adult/continuing. . . . .  |                     |                                  | 113                                     | 113                                     |
| Other . . . . .  | 270,278             |                                  |   | 270,278                                 |
| Support Services:  |                     |                                  |   |   |
| Pupil. . . . .   | 825,263             |                                  | 261,734                                 | 1,086,997                               |
| Instructional staff . . . . .  | 961,941             |                                  | 25,710                                  | 987,651                                 |
| Board of education . . . . .   | 188,222             |                                  |   | 188,222                                 |
| Administration . . . . .   | 1,374,991           | 906                              | 120,575                                 | 1,496,472                               |
| Fiscal . . . . .   | 456,299             | 5,831                            |   | 462,130                                 |
| Operations and maintenance . . . . .                                   | 2,592,238           | 95,872                           | 4,660                                   | 2,692,770                               |
| Pupil transportation . . . . .   | 1,091,241           | 146,260                          |   | 1,237,501                               |
| Central. . . . .   | 174,815             | 89,839                           | 90,770                                  | 355,424                                 |
| Operation of non-instructional services:                               |                     |                                  |   |   |
| Food service operations . . . . .                                      |                     |                                  | 848,090                                 | 848,090                                 |
| Other non-instructional services . . . . .                             | 29,770              |                                  | 249,710                                 | 279,480                                 |
| Extracurricular activities . . . . .                                   | 390,257             |                                  | 190,605                                 | 580,862                                 |
| Facilities acquisition and construction . . . . .                      | 120                 | 769,443                          |   | 769,563                                 |
| Debt service:  |                     |                                  |   |   |
| Principal retirement . . . . .   |                     | 91,363                           |   | 91,363                                  |
| Interest and fiscal charges . . . . .                                  |                     | 2,108                            |   | 2,108                                   |
| <b>Total expenditures . . . . .</b>                                    | <b>18,225,222</b>   | <b>1,202,673</b>                 | <b>2,335,168</b>                        | <b>21,763,063</b>                       |
| Excess (deficiency) of revenues<br>over (under) expenditures . . . . . | 265,240             | (555,092)                        | (71,568)                                | (361,420)                               |
| <b>Other financing sources (uses):</b>                                 |                     |                                  |   |   |
| Transfers in . . . . .   |                     |                                  | 525,000                                 | 525,000                                 |
| Transfers (out). . . . .   | (525,000)           |                                  |   | (525,000)                               |
| <b>Total other financing sources (uses) . . . . .</b>                  | <b>(525,000)</b>    |                                  | <b>525,000</b>                          |   |
| Net change in fund balances. . . . .                                   | (259,760)           | (555,092)                        | 453,432                                 | (361,420)                               |
| <b>Fund balances at beginning of year . . . . .</b>                    | <b>4,351,712</b>    | <b>2,002,045</b>                 | <b>1,101,986</b>                        | <b>7,455,743</b>                        |
| <b>Fund balances at end of year. . . . .</b>                           | <b>\$ 4,091,952</b> | <b>\$ 1,446,953</b>              | <b>\$ 1,555,418</b>                     | <b>\$ 7,094,323</b>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Net change in fund balances - total governmental funds** \$ (361,420)

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

|                           |    |                  |           |
|---------------------------|----|------------------|-----------|
| Capital asset additions   | \$ | 264,362          |           |
| Current year depreciation |    | <u>(538,618)</u> |           |
| Total                     |    |                  | (274,256) |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.

|                          |  |                |         |
|--------------------------|--|----------------|---------|
| Capital asset disposals  |  | (141,881)      |         |
| Accumulated depreciation |  | <u>132,881</u> |         |
| Total                    |  |                | (9,000) |

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

|                           |  |                 |        |
|---------------------------|--|-----------------|--------|
| Taxes                     |  | 3,409           |        |
| Accrued interest          |  | 37,242          |        |
| Intergovernmental revenue |  | <u>(10,358)</u> |        |
| Total                     |  |                 | 30,293 |

|   |  |  |        |
|---|--|--|--------|
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. |  |  | 91,363 |
|---|--|--|--------|

|  |  |  |                 |
|--|--|--|-----------------|
| Some expenses reported on the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. |  |  | <u>(84,528)</u> |
|--|--|--|-----------------|

**Change in net assets of governmental activities** \$ (607,548)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

|  | <u>Budgeted Amounts</u>    |                            | <u>Actual</u>              | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|----------------------------|----------------------------|---|
|  | <u>Original</u>            | <u>Final</u>               |                            | <u>(Negative)</u>   |
| <b>Revenues:</b>   |                            |                            |                            |   |
| From local sources:  |                            |                            |                            |   |
| Taxes . . . . .  | \$ 7,675,810               | \$ 7,895,391               | \$ 7,947,085               | \$ 51,694   |
| Tuition. . . . .   | 418,698                    | 430,676                    | 430,681                    | 5   |
| Earnings on investments. . . . .                                       | 465,255                    | 478,564                    | 481,250                    | 2,686   |
| Extracurricular. . . . .   | 23,467                     | 24,138                     | 24,138                     |   |
| Classroom materials and fees . . . . .                                 | 151                        | 155                        | 155                        |   |
| Other local revenues. . . . .  | 7,528                      | 7,743                      | 7,743                      |   |
| Intergovernmental - State. . . . .                                     | 9,419,049                  | 9,688,500                  | 9,688,500                  |   |
| Total revenue . . . . .  | <u>18,009,958</u>          | <u>18,525,167</u>          | <u>18,579,552</u>          | <u>54,385</u>   |
| <b>Expenditures:</b>   |                            |                            |                            |   |
| Current:   |                            |                            |                            |   |
| Instruction:   |                            |                            |                            |   |
| Regular . . . . .  | 8,078,160                  | 8,751,464                  | 8,413,160                  | 338,304   |
| Special. . . . .   | 1,316,694                  | 1,426,439                  | 1,371,297                  | 55,142  |
| Vocational. . . . .  | 24,914                     | 26,991                     | 25,948                     | 1,043   |
| Other . . . . .  | 265,757                    | 287,908                    | 276,778                    | 11,130  |
| Support Services:  |                            |                            |                            |   |
| Pupil. . . . .   | 810,287                    | 877,823                    | 843,889                    | 33,934  |
| Instructional staff . . . . .  | 899,776                    | 974,771                    | 937,089                    | 37,682  |
| Board of education . . . . .   | 200,175                    | 216,859                    | 208,476                    | 8,383   |
| Administration . . . . .   | 1,341,348                  | 1,453,148                  | 1,396,974                  | 56,174  |
| Fiscal . . . . .   | 447,837                    | 485,164                    | 466,409                    | 18,755  |
| Operations and maintenance . . . . .                                   | 2,561,789                  | 2,775,311                  | 2,668,026                  | 107,285   |
| Pupil transportation . . . . .   | 1,059,271                  | 1,147,560                  | 1,103,199                  | 44,361  |
| Central. . . . .   | 203,147                    | 220,079                    | 211,571                    | 8,508   |
| Operation of non-instructional services. . . . .                       | 24,723                     | 26,784                     | 25,749                     | 1,035   |
| Extracurricular activities . . . . .                                   | 369,846                    | 400,672                    | 385,183                    | 15,489  |
| Facilities acquisition and construction . . . . .                      | 115                        | 125                        | 120                        | 5   |
| Total expenditures . . . . .   | <u>17,603,839</u>          | <u>19,071,098</u>          | <u>18,333,868</u>          | <u>737,230</u>  |
| Excess (deficiency) of revenues over<br>(under) expenditures . . . . . | <u>406,119</u>             | <u>(545,931)</u>           | <u>245,684</u>             | <u>791,615</u>  |
| <b>Other financing sources (uses):</b>                                 |                            |                            |                            |   |
| Transfers (out) . . . . .  | (504,095)                  | (546,111)                  | (525,000)                  | 21,111  |
| Refund of prior year expenditures . . . . .                            | 1,042                      | 1,072                      | 1,232                      | 160   |
| Total other financing sources (uses). . . . .                          | <u>(503,053)</u>           | <u>(545,039)</u>           | <u>(523,768)</u>           | <u>21,271</u>   |
| Net change in fund balance . . . . .                                   | (96,934)                   | (1,090,970)                | (278,084)                  | 812,886   |
| <b>Fund balance at beginning of year. . . . .</b>                      | <b>5,479,913</b>           | <b>5,479,913</b>           | <b>5,479,913</b>           |   |
| <b>Prior year encumbrances appropriated . . . . .</b>                  | <b>294,027</b>             | <b>294,027</b>             | <b>294,027</b>             |   |
| <b>Fund balance at end of year . . . . .</b>                           | <b><u>\$ 5,677,006</u></b> | <b><u>\$ 4,682,970</u></b> | <b><u>\$ 5,495,856</u></b> | <b><u>\$ 812,886</u></b>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

|   | <b>Agency</b> |
|---|---------------|
| <b>Assets:</b>  |               |
| Equity in pooled cash<br>and cash equivalents . . . . . | \$ 81,116     |
| Total assets . . . . .                                  | \$ 81,116     |
| <b>Liabilities:</b>                                     |               |
| Due to students . . . . .                               | \$ 81,116     |
| Total liabilities . . . . .                             | \$ 81,116     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Benton-Carroll-Salem Local School District (the "District") is located in Ottawa County, in Oak Harbor, Ohio. The District was established in the early 1970s through the consolidation of existing land areas and school districts. The District currently serves an area of approximately 106 square miles and includes all of the Village of Oak Harbor, Graytown, and Rocky Ridge, and all or portions of Benton, Carroll, and Salem Townships.

The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates 6 instructional buildings, 1 administrative building and a bus garage. The District employs 140 certified (including administrative) and 109 classified full-time and part-time employees to provide services to approximately 1,791 students in grades K through 12 and various community groups, which ranks it 307th out of approximately 896 public school districts and community schools in Ohio.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Northern Ohio Educational Computer Association

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of forty-one public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. All revenues are generated from a combination of state funding and annual fee per student charged to participating districts. The District paid \$42,690 to NOECA for services in fiscal year 2008. Financial information is available from Betty Schweifert, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Bay Area Council of Governments

The Bay Area Council of Governments (BACG) consists of twenty-six school districts representing seven counties (Crawford, Erie, Huron, Ottawa, Sandusky, Seneca and Wood). This jointly governed organization was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through BACG are natural gas and insurance. The only cost to the District is an administrative charge if it participates in purchasing through the BACG. The membership of BACG consists of one elected representative from each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve two-year terms. Financial information is available from Betty Schweifert, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Northwestern Ohio Educational Research Council, Incorporated

The Northwestern Ohio Educational Research Council, Inc. is a nonprofit organization operated under the direction of a Board of Directors. The Council was formed to provide conferences and training to personnel of the participating districts. 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. To obtain financial information write to the Northwestern Ohio Educational Research Council, Inc. David G. Elsass, Treasurer, at P.O. Box 456, Ashland, Ohio 44805.

The District also participates in two public entity risk sharing pools, described in Note 10.

*PUBLIC ENTITY RISK POOLS*

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

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

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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund - A fund used to account for all transactions related to the acquiring, constructing, or improving of permanent improvements as authorized by Chapter 5705, Revised Code.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of activities as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Ottawa County Budget Commission for rate determination.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2008, investments were limited to nonnegotiable certificates of deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The District has invested funds in STAR Ohio during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$426,796, which includes \$144,304 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

**G. Inventory**

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories for governmental funds are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide financial statements.

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal 2008, the District maintained its capitalization threshold at \$10,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.



**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

| Description                | Governmental<br>Activities<br>Estimated Lives |
|----------------------------|---|
| Land improvements          | 20 years                                      |
| Buildings and improvements | 25 - 50 years                                 |
| Furniture and equipment    | 5 - 20 years                                  |
| Vehicles                   | 5 - 10 years                                  |

**I. Interfund Balances**

In the fund financial statements, receivables and payables resulting from short-term interfund advances are reported as interfund loans receivable/payable. The District has no interfund loans receivable/payable at June 30, 2008. Receivables and payables resulting from long-term interfund advances are reported as loans to/from other funds. The District has no loans to/from other funds at June 30, 2008. Receivables and payables resulting from cash-basis fund balance deficits at year-end are reported as due from/to other funds. At June 30, 2008, the District has \$115,648 due from other non-major governmental funds to the general fund.

All interfund balances have been eliminated in the government-wide financial statements.

**J. Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. Accrued Liabilities and Long-Term Obligations**

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

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**L. Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. The District has reported fund equity reserves for encumbrances, materials and supplies inventory, property tax unavailable for appropriation, prepayments, school bus purchases, and instructional materials. The reserve for property tax unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

The District has also designated a portion of fund equity which was legally segregated for a specific future uses. The District has reported a fund equity designation for termination benefits and capital improvements.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside for instructional materials. In addition, the District has reported restricted assets for school bus purchases. See Note 16 for details.

**Q. Interfund Activity**

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

**R. 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 the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 12) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balance**

Fund balances at June 30, 2008, included the following individual fund deficit:

| <u>Nonmajor governmental funds</u> | <u>Deficit</u> |
|------------------------------------|----------------|
| Drug free school grant             | \$ 789         |

This fund complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. This deficit fund balance is the result of adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that 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.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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;

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that 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) of this section 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 Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the 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.

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 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year-end, the District had \$5,550 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$6,842,366. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$599,584 of the District's bank balance of \$6,966,336 was covered by the Federal Deposit Insurance Corporation, while \$6,366,752 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds, or as specific pledged collateral held at the Federal Reserve Bank in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC. The District has no deposit policy for custodial credit risk beyond the requirements of State statute.

**C. Investments**

As of June 30, 2008, the District had the following investments and maturities:

| Investment | Fair Value   | Maturity<br>6 months<br>or less |
|------------|--------------|---------------------------------|
| STAR Ohio  | \$ 2,171,886 | 2,171,886                       |
| Total      | \$ 2,171,886 | \$ 2,171,886                    |

The weighted average maturity of investments is one day.

*Interest Rate Risk:* Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less and that an investment must be purchased with the expectation that it will be held to maturity. Interim certificates of deposit must mature within one year and inactive certificates of deposit must mature no later than the expiration of the depository agreement.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not address investment credit risk beyond the requirements of state statutes.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2008:

|   |                     |
|---|---------------------|
| <u>Cash and investments per note disclosure</u>             |                     |
| Carrying amount of deposits                                 | \$ 6,842,366        |
| Investments   | 2,171,886           |
| Cash on hand  | <u>5,550</u>        |
| Total   | <u>\$ 9,019,802</u> |
| <br><u>Cash and investments per statement of net assets</u> |                     |
| Governmental activities                                     | \$ 8,938,686        |
| Agency funds  | <u>81,116</u>       |
| Total   | <u>\$ 9,019,802</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

**A. Transfers**

Transfers for the fiscal year ended June 30, 2008, consisted of the following, as reported in the fund financial statements:

|  |                   |
|--|-------------------|
| <u>Transfers from general fund to:</u> | <u>Amount</u>     |
| Nonmajor governmental funds            | <u>\$ 525,000</u> |
| Total                                  | <u>\$ 525,000</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers between governmental funds are eliminated on the government-wide financial statements.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 5 - INTERFUND TRANSACTIONS – (Continued)**

**B. Due from/to other funds**

Due from/to other funds at June 30, 2008, consisted of the following, as reported in the fund financial statements:

| <u>Due to general fund from:</u> | <u>Amount</u>     |
|----------------------------------|-------------------|
| Nonmajor governmental funds      | <u>\$ 115,648</u> |
| Total                            | <u>\$ 115,648</u> |

The purpose of these amounts due from/to other funds is to eliminate cash-basis fund balance deficits in certain non-major governmental funds, which is contrary to Ohio Revised Code section 5705.10. However, in accordance with Ohio Revised Code section 3315.20, because the corresponding grant monies that will eliminate these cash-basis fund balance deficits have been requested as of June 30, 2008, and because the general fund unencumbered fund balance at fiscal year-end is high enough to cover the cumulative sum of these deficits, the District is not in non-compliance.

Due from/to other funds between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

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

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.



**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 6 - PROPERTY TAXES – (Continued)**

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Ottawa County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal 2008 operations. The amount available for advance at June 30, 2008, was \$518,558 in the general fund and \$18,141 in the permanent improvement capital projects fund. The amount available for advance at June 30, 2007, was \$561,009 in the general fund and \$19,432 in the permanent improvement capital projects fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary depending on when tax bills are sent by the County Auditor.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 6 - PROPERTY TAXES – (Continued)**

The assessed values upon which the fiscal year 2008 taxes were collected are:

|  | 2007 Second<br>Half Collections |                | 2008 First<br>Half Collections |                |
|--|---------------------------------|----------------|--------------------------------|----------------|
|  | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 252,861,590                  | 73.29          | \$ 256,707,390                 | 73.72          |
| Public utility personal property               | 88,250,750                      | 25.58          | 90,059,590                     | 25.87          |
| Tangible personal property                     | 3,892,696                       | 1.13           | 1,410,350                      | 0.41           |
| Total  | <u>\$ 345,005,036</u>           | <u>100.00</u>  | <u>\$ 348,177,330</u>          | <u>100.00</u>  |
| Tax rate per \$1,000 of assessed valuation:    |                                 |                |                                |                |
| General operations                             | \$ 35.83                        |                | \$ 35.83                       |                |
| Permanent improvement                          | 1.50                            |                | 1.50                           |                |

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008, consisted of taxes, accounts, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities**

|                   |                     |
|-------------------|---------------------|
| Taxes             | \$ 8,285,329        |
| Accounts          | 873                 |
| Intergovernmental | 177,507             |
| Accrued interest  | <u>150,104</u>      |
| Total             | <u>\$ 8,613,813</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

| <b><u>Governmental activities</u></b>              | <u>Balance</u><br><u>06/30/07</u> | <u>Additions</u>    | <u>Deletions</u>  | <u>Balance</u><br><u>06/30/08</u> |
|--|-----------------------------------|---------------------|-------------------|-----------------------------------|
| <i>Capital assets, not being depreciated:</i>      |                                   |                     |                   |                                   |
| Land   | \$ 372,525                        | \$ -                | \$ -              | \$ 372,525                        |
| <i>Total capital assets, not being depreciated</i> | <u>372,525</u>                    | <u>-</u>            | <u>-</u>          | <u>372,525</u>                    |
| <i>Capital assets, being depreciated:</i>          |                                   |                     |                   |                                   |
| Land improvements                                  | 1,544,750                         |                     |                   | 1,544,750                         |
| Buildings and improvements                         | 19,250,119                        |                     |                   | 19,250,119                        |
| Equipment and furniture                            | 475,097                           | 22,521              | (12,767)          | 484,851                           |
| Vehicles   | 2,091,375                         | 241,841             | (129,114)         | 2,204,102                         |
| <i>Total capital assets, being depreciated</i>     | <u>23,361,341</u>                 | <u>264,362</u>      | <u>(141,881)</u>  | <u>23,483,822</u>                 |
| <i>Less: accumulated depreciation:</i>             |                                   |                     |                   |                                   |
| Land improvements                                  | (1,072,071)                       | (19,996)            |                   | (1,092,067)                       |
| Buildings and improvements                         | (9,702,865)                       | (368,770)           |                   | (10,071,635)                      |
| Equipment and furniture                            | (352,061)                         | (20,512)            | 11,767            | (360,806)                         |
| Vehicles   | (1,274,455)                       | (129,340)           | 121,114           | (1,282,681)                       |
| <i>Total accumulated depreciation</i>              | <u>(12,401,452)</u>               | <u>(538,618)</u>    | <u>132,881</u>    | <u>(12,807,189)</u>               |
| Total capital assets, net                          | <u>\$ 11,332,414</u>              | <u>\$ (274,256)</u> | <u>\$ (9,000)</u> | <u>\$ 11,049,158</u>              |

Depreciation expense was charged to the governmental functions as follows:

|                                  |                   |
|----------------------------------|-------------------|
| <u>Instruction:</u>              |                   |
| Regular                          | \$ 275,593        |
| <u>Support services:</u>         |                   |
| Administration                   | 19,439            |
| Operations and maintenance       | 21,901            |
| Pupil transportation             | 103,740           |
| Central services                 | 11,899            |
| Other non-instructional services | 2,488             |
| Extracurricular activities       | 84,119            |
| Food service operations          | 19,439            |
| Total depreciation expense       | <u>\$ 538,618</u> |

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

| <u>Governmental activities:</u> | Balance<br>6/30/07  | Increases         | Decreases           | Balance<br>6/30/08  | Amount Due<br>In One Year |
|---------------------------------|---------------------|-------------------|---------------------|---------------------|---------------------------|
| Energy conservation loans       | \$ 91,363           |                   | \$ (91,363)         |                     |                           |
| Compensated absences            | 1,469,107           | \$ 345,455        | (287,060)           | \$ 1,527,502        | \$ 115,981                |
| Retirement incentive            | 30,000              | 30,000            | (30,000)            | 30,000              | 30,000                    |
| Total governmental activities   | <u>\$ 1,590,470</u> | <u>\$ 375,455</u> | <u>\$ (408,423)</u> | <u>\$ 1,557,502</u> | <u>\$ 145,981</u>         |

*Energy conservation loan* - A \$500,000 energy conservation loan was issued on January 29, 2004, was scheduled to mature on January 29, 2009, and carried an interest rate of 3.2%. As of June 30, 2008, \$391,363 had been drawn down on the loan. Loan repayments consisted of semi-annual payments of \$50,000 plus interest. The loan was issued in order to provide for energy improvements to District buildings. The loan was a general obligation of the District and was accounted for on the statement of net assets. The source of payment was derived through the energy savings attained as a result of the energy improvements. During fiscal year 2008, the District made the final debt service payments on this loan. There is no liability as of June 30, 2008.

Compensated absences and the retirement incentive will be paid out of the fund from which the employee is paid, which is primarily the General fund.

**B. Legal Debt Margins**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2008, are a legal voted debt margin of \$23,103,665, a legal unvoted debt margin of \$256,707, and a legal energy conservation debt margin of \$2,310,367.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The 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. For fiscal year 2008, the District contracted with the Schools of Ohio Risk Sharing Authority (SORSA) for property, crime, general liability, auto liability/physical damage, and educator's legal liability insurances. Losses for property, crime, and auto liability/physical damage are subject to a \$500 deductible. The limit of liability coverage is \$11,000,000, with a \$13,000,000 annual aggregate under general liability. There is no deductible for any liability loss except under the educator's legal liability, which is subject to a \$4,000 deductible. Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from fiscal year 2007.

**B. OASBO Workers' Compensation Group Rating**

For fiscal year 2008, the District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' 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 State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Group Health Insurance**

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association (the "Association"), whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association Trust Agreement provides that the Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$200,000 and aggregate claims in excess of 120 percent of expected claims.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the District.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability 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 by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$283,906, \$284,761, and \$275,711, respectively; 48.26 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The 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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or 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

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 11 - PENSION PLANS – (Continued)**

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$1,096,517, \$1,064,943, and \$1,134,733, respectively; 83.79 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$18,411 made by the District and \$27,043 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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, Ohio 43215-3746.

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 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$185,919, \$136,064, and \$137,512, respectively; 48.26 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$20,456, \$19,364, and \$21,944, respectively; 48.26 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

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



**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 12 - POSTEMPLOYMENT BENEFITS – (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$84,347, \$81,919, and \$87,287, respectively; 83.79 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**Retirement Incentive**

The District has entered into a retirement incentive plan whereby, upon election, a teacher or administrator reaching their first year of retirement eligibility (with a minimum of thirty years of service credit with STRS, and no less than ten years of service with the District by the effective date of retirement) is entitled to receive, in addition to the retirement pay currently provided under the labor agreement, the amount of \$10,000.

The retirees will receive the \$10,000 in January of the calendar year following the year of retirement. A liability of \$30,000 for the retirement incentive has been recorded in the general fund on the fund financial statements, and as a component of the long-term liabilities on the statement of net assets. The retirement incentive liability will be paid out of the fund from which the employee was paid.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

| <u>Net Change in Fund Balance</u>               | <u>General fund</u> |
|---|---------------------|
| Budget basis                                    | \$ (278,084)        |
| Net adjustment for revenue accruals             | (89,090)            |
| Net adjustment for expenditure accruals         | (147,049)           |
| Net adjustment for other financing sources/uses | (1,232)             |
| Adjustment for encumbrances                     | <u>255,695</u>      |
| GAAP basis                                      | <u>\$ (259,760)</u> |

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement 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 District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

|                                      | <u>Instructional<br/>Materials</u> | <u>Capital<br/>Maintenance</u> |
|--------------------------------------|------------------------------------|--------------------------------|
| Set-aside balance at June 30, 2007   | \$ 435,325                         |                                |
| Current year set-aside requirement   | 286,173                            | \$ 286,173                     |
| Current year offsets                 | (83,225)                           | (229,331)                      |
| Current year qualifying expenditures | <u>(225,544)</u>                   | <u>(56,842)</u>                |
| Set-aside balance at June 30, 2008   | <u>\$ 412,729</u>                  | <u>\$ -</u>                    |
| Balance carried forward to FY2009    | <u>\$ 412,729</u>                  | <u>\$ -</u>                    |

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2008 follows:

|   |                   |
|---|-------------------|
| Amount restricted for instructional materials | \$ 412,729        |
| Amount restricted for school bus purchases    | <u>10,663</u>     |
| Total restricted assets                       | <u>\$ 423,392</u> |

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2008**

| <b>FEDERAL GRANTOR</b><br><i>Pass Through Grantor</i><br><b>Program Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Receipts</b>          | <b>Disbursements</b>       |
|---|------------------------------------|--------------------------|----------------------------|
| <b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>                                |                                    |                          |                            |
| <i>Passed through the Ohio Department of Education</i>                        |                                    |                          |                            |
| <u>Child Nutrition Cluster:</u>   |                                    |                          |                            |
| School Breakfast Program  | 10.553                             | 46,169                   | 46,169                     |
| National School Lunch Program   | 10.555                             |                          |                            |
| Cash Assistance   |                                    | 218,581                  | 218,581                    |
| Non-cash Assistance (Food Distribution)                                       |                                    | 58,208                   | 58,208                     |
| Total - National School Lunch Program   |                                    | <u>276,789</u>           | <u>276,789</u>             |
| Total United States Department of Agriculture                                 |                                    | <u><b>322,958</b></u>    | <u><b>322,958</b></u>      |
| <b>UNITED STATES DEPARTMENT OF EDUCATION</b>                                  |                                    |                          |                            |
| <i>Passed through the Ohio Department of Education</i>                        |                                    |                          |                            |
| <u>Special Education Cluster:</u>   |                                    |                          |                            |
| Special Education - Grants to States  | 84.027                             | 387,736                  | 538,156                    |
| <i>Passed through North Point Educational Service Center</i>                  |                                    |                          |                            |
| Special Education - Preschool Grants  | 84.173                             | 18,130                   | 18,130                     |
| Total - Special Education Cluster   |                                    | <u>405,866</u>           | <u>556,286</u>             |
| Title I Grants to Local Educational Agencies                                  | 84.010                             | 144,235                  | 156,146                    |
| Migrant Education Basic State Grant Program                                   | 84.011                             |                          | 1,934                      |
| Safe and Drug Free Schools and Communities - State Grants                     | 84.186                             | 5,035                    | 5,824                      |
| State Grants for Innovative Programs  | 84.298                             | 282                      |                            |
| Education Technology State Grants   | 84.318                             | 162                      | 100                        |
| Improving Teacher Quality State Grants  | 84.367                             | 35,077                   | 63,233                     |
| Total United States Department of Education                                   |                                    | <u><b>590,657</b></u>    | <u><b>783,523</b></u>      |
| <b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>                                     |                                    | <u><b>\$ 913,615</b></u> | <u><b>\$ 1,106,481</b></u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

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

Benton-Carroll-Salem Local School District  
Ottawa County  
11685 West State Route 163  
Oak Harbor, Ohio 43449-1278

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton-Carroll-Salem Local School District, Ottawa County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We noted certain matters that we reported to the District's management in a separate letter dated March 31, 2009.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance that we reported to the District's management in a separate letter dated March 31, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

March 31, 2009





# Mary Taylor, CPA

Auditor of State

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

Benton-Carroll-Salem Local School District  
Ottawa County  
11685 West State Route 163  
Oak Harbor, Ohio 43449-1278

To the Board of Education:

### Compliance

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

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

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

### Internal Control Over Compliance

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



**Mary Taylor, CPA**  
Auditor of State

March 31, 2009

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |  |   |
|---------------------|--|---|
| <i>(d)(1)(i)</i>    | Type of Financial Statement Opinion  | Unqualified                                       |
| <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 other 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)?                              | No  |
| <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 other significant deficiencies in internal control reported for major federal programs?               | No  |
| <i>(d)(1)(v)</i>    | Type of Major Programs' Compliance Opinion   | Unqualified                                       |
| <i>(d)(1)(vi)</i>   | Are there any reportable findings under § .510?  | No  |
| <i>(d)(1)(vii)</i>  | Major Programs (list):   | Child Nutrition Cluster – CFDA# 10.553 and 10.555 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs  | Type A: > \$ 300,000<br>Type B: all others        |
| <i>(d)(1)(ix)</i>   | Low Risk Auditee?  | Yes   |

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





Mary Taylor, CPA  
Auditor of State

**BENTON CARROLL SALEM LOCAL SCHOOL DISTRICT**  
**OTTAWA 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**  
**APRIL 16, 2009**