



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

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2009**



**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 Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	19
Statement of Fiduciary Net Assets - Fiduciary Fund .....	20
Notes to the Basic Financial Statements .....	21
Federal Awards Receipt and Expenditure Schedule .....	49
Notes to the Federal Awards Receipt and Expenditure Schedule.....	50
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	51
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> .....	53
Schedule of Findings.....	55
Independent Accountants' Report on Applying Agreed Upon Procedures.....	57

**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 Benton-Carroll-Salem Local School District, Ottawa County, Ohio (the District), as of and for the year ended June 30, 2009, 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 Benton-Carroll-Salem Local School District, Ottawa County, Ohio, as of June 30, 2009, 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 10, 2010, 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.

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 Receipt and Expenditure 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 Receipt 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 10, 2010

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED

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, 2009. 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 fiscal year 2009 are as follows:

- In total, net assets of governmental activities decreased \$319,974 which represents a 1.87% decrease from 2008.
- General revenues accounted for \$18,454,364 in revenue or 86.41% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,903,487 or 13.59% of total revenues of \$21,357,851.
- The District had \$21,677,825 in expenses related to governmental activities; \$2,903,487 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,454,364 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 \$18,607,032 in revenues and \$19,072,658 in expenditures. During fiscal year 2009, the general fund's fund balance decreased \$465,626 from \$4,091,952 to \$3,626,326.
- The permanent improvement fund had \$690,603 in revenues and \$870,138 in expenditures. During fiscal year 2009, the permanent improvement fund's fund balance decreased \$179,535 from \$1,446,953 to \$1,267,418.

**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, 2009  
UNAUDITED  
(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 fiscal year 2009?" 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, 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.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)

**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.

**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 at June 30, 2009 and June 30, 2008.

	<b>Net Assets</b>	
	Governmental Activities 2009	Governmental Activities 2008
<b><u>Assets</u></b>		
Current and other assets	\$ 17,250,232	\$ 17,614,685
Capital assets, net	<u>11,409,615</u>	<u>11,049,158</u>
Total assets	<u>28,659,847</u>	<u>28,663,843</u>
<b><u>Liabilities</u></b>		
Current liabilities	10,308,961	9,964,454
Long-term liabilities	<u>1,528,973</u>	<u>1,557,502</u>
Total liabilities	<u>11,837,934</u>	<u>11,521,956</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	11,409,615	11,049,158
Restricted	3,170,967	3,077,068
Unrestricted	<u>2,241,331</u>	<u>3,015,661</u>
Total net assets	<u>\$ 16,821,913</u>	<u>\$ 17,141,887</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$16,821,913. Of this total, \$3,170,967 is restricted in use.

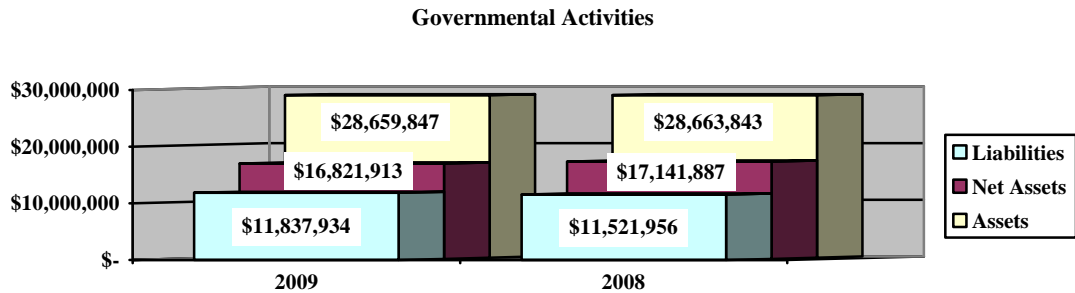
At year-end, capital assets represented 39.81% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of accumulated depreciation at June 30, 2009, were \$11,409,615. These capital assets are used to provide services to the students and are not available for future spending.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)

A portion of the District's net assets, \$3,170,967, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,241,331 may be used to meet the District's ongoing obligations to the students and creditors.

The table below provides a summary of the District's assets, liabilities and net assets at June 30, 2009 and June 30, 2008.



The table below shows the change in net assets for fiscal years 2009 and 2008.

	<b>Change in Net Assets</b>	
	Governmental Activities 2009	Governmental Activities 2008
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,560,777	\$ 1,661,051
Operating grants and contributions	1,320,930	1,468,576
Capital grants and contributions	21,780	360,837
General revenues:		
Property taxes	8,338,447	8,219,308
Grants and entitlements	9,820,147	9,222,704
Investment earnings	286,755	464,038
Other	9,015	35,422
<b>Total revenues</b>	<b>\$ 21,357,851</b>	<b>\$ 21,431,936</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)

**Change in Net Assets**

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 9,190,949	\$ 9,306,580
Special	1,900,936	1,750,545
Vocational	22,726	26,864
Adult/continuing	6,578	113
Other	276,941	280,205
Support services:		
Pupil	953,530	1,114,095
Instructional staff	1,101,876	1,041,579
Board of education	220,845	195,148
Administration	1,692,869	1,586,764
Fiscal	473,385	488,757
Operations and maintenance	2,539,737	2,744,889
Pupil transportation	1,207,568	1,329,983
Central	345,458	301,851
Operation of non-instructional services:		
Food service operations	885,965	902,067
Other non-instructional services	188,326	281,561
Extracurricular activities	670,136	686,375
Interest and fiscal charges		<u>2,108</u>
Total expenses	<u>21,677,825</u>	<u>22,039,484</u>
Change in net assets	(319,974)	(607,548)
Net assets at beginning of year	<u>17,141,887</u>	<u>17,749,435</u>
Net assets at end of year	<u>\$ 16,821,913</u>	<u>\$ 17,141,887</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$319,974. Total governmental expenses of \$21,677,825 were offset by program revenues of \$2,903,487 and general revenues of \$18,454,364. Program revenues supported 13.39% 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 85.02% of total governmental revenue.

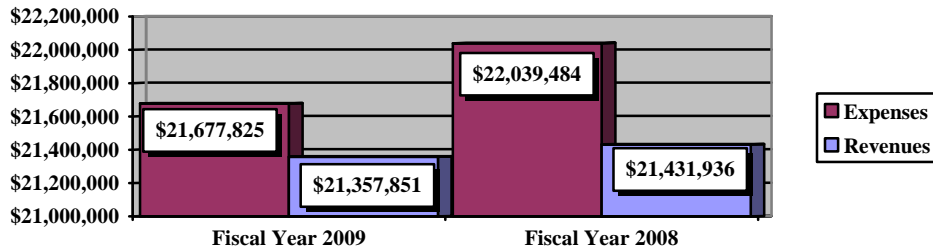
The largest expense of the District is for instructional programs. Instruction expenses totaled \$11,398,130 or 52.58% of total governmental expenses for fiscal year 2009.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2009 and 2008.

**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 for fiscal years 2009 and 2008. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
<b>Program expenses</b>				
Instruction:				
Regular	\$ 9,190,949	\$ 8,553,630	\$ 9,306,580	\$ 8,451,225
Special	1,900,936	1,270,658	1,750,545	1,273,230
Vocational	22,726	21,864	26,864	26,268
Adult/continuing	6,578	(437)	113	113
Other	276,941	276,941	280,205	280,205
Support services:				
Pupil	953,530	915,366	1,114,095	862,188
Instructional staff	1,101,876	1,038,526	1,041,579	1,016,270
Board of education	220,845	220,845	195,148	195,148
Administration	1,692,869	1,563,069	1,586,764	1,479,626
Fiscal	473,385	473,385	488,757	483,203
Operations and maintenance	2,539,737	2,532,827	2,744,889	2,627,385
Pupil transportation	1,207,568	1,140,469	1,329,983	1,124,447
Central	345,458	292,791	301,851	145,863
Operation of non-instructional services:				
Food service operations	885,965	13,298	902,067	70,613
Other non-instructional services	188,326	(14,014)	281,561	16,311
Extracurricular activities	670,136	475,120	686,375	494,817
Interest and fiscal charges			2,108	2,108
<b>Total expenses</b>	<b>\$ 21,677,825</b>	<b>\$ 18,774,338</b>	<b>\$ 22,039,484</b>	<b>\$ 18,549,020</b>

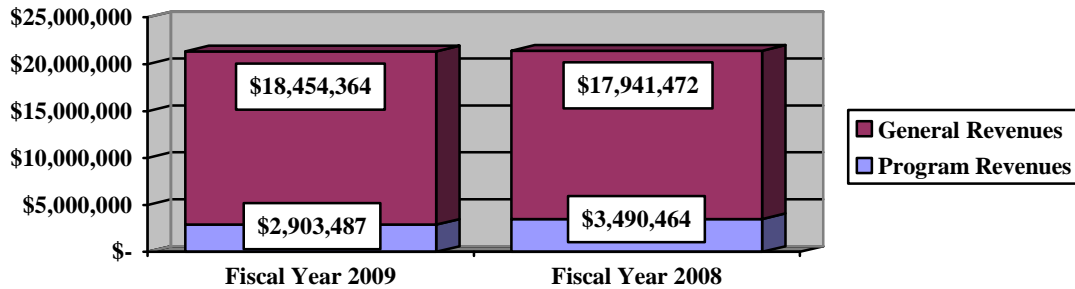
**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)

The dependence upon tax and other general revenues for governmental activities is apparent, 88.81% of instructional activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.61%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$6,389,379, which is lower than last year's total of \$7,094,323. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and June 30, 2008.

	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Decrease	Percentage Change
General	\$ 3,626,326	\$ 4,091,952	\$ (465,626)	(11.38) %
Permanent Improvement	1,267,418	1,446,953	(179,535)	(12.41) %
Other Governmental	1,495,635	1,555,418	(59,783)	(3.84) %
<b>Total</b>	<b>\$ 6,389,379</b>	<b>\$ 7,094,323</b>	<b>\$ (704,944)</b>	<b>(9.94) %</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)

**General Fund**

The District's general fund balance decreased \$465,626.

The table that follows assists in illustrating the financial activities and fund balance of the General fund.

	<u>2009 Amount</u>	<u>2008 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 7,974,824	\$ 7,904,634	\$ 70,190	0.89 %
Tuition	537,902	430,681	107,221	24.90 %
Earnings on investments	329,903	426,796	(96,893)	(22.70) %
Intergovernmental	9,733,647	9,688,500	45,147	0.47 %
Other revenues	<u>30,756</u>	<u>39,851</u>	<u>(9,095)</u>	<u>(22.82) %</u>
Total	<u>\$ 18,607,032</u>	<u>\$ 18,490,462</u>	<u>\$ 116,570</u>	0.63 %
<b><u>Expenditures</u></b>				
Instruction	\$ 10,578,737	\$ 10,140,065	\$ 438,672	4.33 %
Support services	8,073,676	7,665,010	408,666	5.33 %
Non-instructional services	12,158	29,770	(17,612)	(59.16) %
Extracurricular activities	407,967	390,257	17,710	4.54 %
Facilities acquisition and construction	<u>120</u>	<u>120</u>		
Total	<u>\$ 19,072,658</u>	<u>\$ 18,225,222</u>	<u>\$ 847,436</u>	4.65 %

Overall revenues of the general fund increased \$116,570 or 0.63%. The most significant increase was in the area of tuition revenue. Tuition revenue increased \$107,221 or 24.90%. This increase is the result of additional open enrollment students in the District compared to fiscal year 2008. All other revenues remained comparable to fiscal year 2008.

Overall expenditures of the general fund increased \$847,436 or 4.65%. The most significant increases were in the areas of instruction and support services which increased \$438,672 and \$408,666, respectively. These increases can be attributed to contract increases to teachers and supporting staff throughout the District.

**Permanent Improvement Fund**

The permanent improvement fund had \$690,603 in revenues and \$870,138 in expenditures. During fiscal year 2009, the permanent improvement fund's fund balance decreased \$179,535 from \$1,446,953 to \$1,267,418.

**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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)

During the course of fiscal year 2009, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$18,394,815 were decreased to \$18,204,148 in the final budget. Actual revenues and other financing sources for fiscal year 2009 was \$18,585,853. This represents a \$381,705 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$19,450,695 were decreased to \$19,450,307 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$19,412,090, which was \$38,217 less than the final budget appropriations.

**Capital Assets**

At the end of fiscal year 2009, the District had \$11,409,615 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 June 30, 2009 balances compared to June 30, 2008:

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

	Governmental Activities	
	2009	2008
Land	\$ 372,525	\$ 372,525
Land improvements	434,201	452,683
Building and improvements	9,172,949	9,178,484
Furniture and equipment	185,946	124,045
Vehicles	1,243,994	921,421
Total	\$ 11,409,615	\$ 11,049,158

The overall increase in capital assets of \$360,457 is due to capital outlays of \$947,283 exceeding depreciation expense of \$571,826 and disposals (net of accumulated depreciation) of \$15,000.

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

**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 within the District's boundaries. The unemployment rate in Ottawa County is currently at its highest rate in years. This impacts the District from the aspect of the number of free and reduced lunches that the District serves.

Despite economic conditions, property values in Ottawa County remain somewhat constant. The District's proximity to Lake Erie has helped maintain stability in terms of overall value.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

State aid saw roughly a three percent decrease from fiscal year 2008. With the state of the economy and the new biennium budget on the horizon, the District will remain conservative when considering any future growth from State allocations. The District ended the year with a \$5.5 million carry over balance, which will provide time to look at future cost cutting options as well as the possibility of new operating levies. The administration and Board of Education continue to look at sources of additional revenue and expenditure levels as well. The District is reviewing the current five year forecast and looking at options intended to reduce deficit spending trends.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, 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 Anne Arnold, Treasurer, Benton-Carroll-Salem Local School District, 11685 W. St. Rt. 163, Oak Harbor, Ohio 43449-1278.



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

STATEMENT OF NET ASSETS  
JUNE 30, 2009

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$	8,377,344
Cash in segregated accounts. . . . .		5,278
Receivables:		
Taxes . . . . .		8,668,444
Accounts . . . . .		2,201
Intergovernmental . . . . .		23,038
Accrued interest . . . . .		112,464
Prepayments . . . . .		48,795
Materials and supplies inventory. . . . .		12,668
Capital assets:		
Land . . . . .		372,525
Depreciable capital assets, net. . . . .		11,037,090
Total capital assets, net . . . . .		11,409,615
 Total assets. . . . .		 28,659,847
<b>Liabilities:</b>		
Accounts payable. . . . .		156,470
Contracts payable . . . . .		60,467
Accrued wages and benefits . . . . .		1,825,768
Pension obligation payable. . . . .		554,994
Intergovernmental payable . . . . .		56,665
Unearned revenue. . . . .		7,654,597
Long-term liabilities:		
Due within one year. . . . .		131,648
Due in more than one year . . . . .		1,397,325
Total liabilities . . . . .		11,837,934
<b>Net Assets:</b>		
Invested in capital assets . . . . .		11,409,615
Restricted for:		
Capital projects . . . . .		1,786,207
Locally funded programs . . . . .		36,759
State funded programs . . . . .		55,308
Federally funded programs . . . . .		10,898
Student activities . . . . .		45,527
Other purposes . . . . .		1,236,268
Unrestricted . . . . .		2,241,331
 Total net assets . . . . .	 \$	 16,821,913

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, 2009

	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 9,190,949	\$ 622,176	\$ 15,143		\$ (8,553,630)
Special . . . . .	1,900,936	31,807	598,471		(1,270,658)
Vocational . . . . .	22,726		862		(21,864)
Adult/continuing . . . . .	6,578	5,861	1,154		437
Other . . . . .	276,941				(276,941)
Support services:					
Pupil. . . . .	953,530		38,164		(915,366)
Instructional staff . . . . .	1,101,876		63,350		(1,038,526)
Board of education . . . . .	220,845				(220,845)
Administration . . . . .	1,692,869	16,303	113,497		(1,563,069)
Fiscal. . . . .	473,385				(473,385)
Operations and maintenance . . . . .	2,539,737	6,910			(2,532,827)
Pupil transportation. . . . .	1,207,568		45,319	\$ 21,780	(1,140,469)
Central . . . . .	345,458		52,667		(292,791)
Operation of non-instructional services:					
Food service operations . . . . .	885,965	549,609	323,058		(13,298)
Other non-instructional services . . . . .	188,326	143,218	59,122		14,014
Extracurricular activities. . . . .	670,136	184,893	10,123		(475,120)
<b>Total governmental activities . . . . .</b>	<b>\$ 21,677,825</b>	<b>\$ 1,560,777</b>	<b>\$ 1,320,930</b>	<b>\$ 21,780</b>	<b>(18,774,338)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					7,996,971
Capital projects . . . . .					341,476
Grants and entitlements not restricted to specific programs . . . . .					9,820,147
Investment earnings . . . . .					286,755
Miscellaneous . . . . .					9,015
<b>Total general revenues . . . . .</b>					<b>18,454,364</b>
Change in net assets . . . . .					(319,974)
<b>Net assets at beginning of year . . . . .</b>					<b>17,141,887</b>
<b>Net assets at end of year . . . . .</b>					<b>\$ 16,821,913</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 5,018,041	\$ 1,331,179	\$ 1,625,578	\$ 7,974,798
Cash in segregated accounts . . . . .	5,278			5,278
Receivables:				
Taxes . . . . .	8,280,655	387,789		8,668,444
Accounts . . . . .	2,000		201	2,201
Intergovernmental . . . . .			23,038	23,038
Accrued interest . . . . .	112,405	50	9	112,464
Interfund loans . . . . .	16,091			16,091
Prepayments . . . . .	16,093	32,702		48,795
Materials and supplies inventory . . . . .			12,668	12,668
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	402,546			402,546
<b>Total assets . . . . .</b>	<u>13,853,109</u>	<u>1,751,720</u>	<u>1,661,494</u>	<u>17,266,323</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	95,494	55,615	5,361	156,470
Contracts payable . . . . .		60,467		60,467
Accrued wages and benefits . . . . .	1,764,051		61,717	1,825,768
Compensated absences payable . . . . .	20,015			20,015
Pension obligation payable . . . . .	495,816		59,178	554,994
Intergovernmental payable . . . . .	54,085		2,580	56,665
Retirement incentive payable . . . . .	10,000			10,000
Interfund loans payable . . . . .			16,091	16,091
Deferred revenue . . . . .	482,156	18,789	20,932	521,877
Unearned revenue . . . . .	7,305,166	349,431		7,654,597
<b>Total liabilities . . . . .</b>	<u>10,226,783</u>	<u>484,302</u>	<u>165,859</u>	<u>10,876,944</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	403,058	237,028	150,058	790,144
Reserved for materials and supplies inventory . . . . .			12,668	12,668
Reserved for property tax unavailable for appropriation . . . . .	563,471	19,569		583,040
Reserved for prepayments . . . . .	16,093	32,702		48,795
Reserved for school bus purchases . . . . .	15,616			15,616
Reserved for instructional materials . . . . .	386,930			386,930
Unreserved, designated for:				
Designated for termination benefits . . . . .			532,695	532,695
Designated for capital improvements . . . . .			500,000	500,000
Unreserved, undesignated reported in:				
General fund . . . . .	2,241,158			2,241,158
Special revenue funds . . . . .			300,214	300,214
Capital projects funds . . . . .		978,119		978,119
<b>Total fund balances . . . . .</b>	<u>3,626,326</u>	<u>1,267,418</u>	<u>1,495,635</u>	<u>6,389,379</u>
<b>Total liabilities and fund balances . . . . .</b>	<u>\$ 13,853,109</u>	<u>\$ 1,751,720</u>	<u>\$ 1,661,494</u>	<u>\$ 17,266,323</u>

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, 2009

<b>Total governmental fund balances</b>	<b>\$ 6,389,379</b>
<i>Amounts reported for governmental activities on 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.	11,409,615
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Taxes receivable	\$ 430,807
Accrued interest receivable	70,138
Intergovernmental receivable	<u>20,932</u>
Total	521,877
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,498,958)</u>
<b>Net assets of governmental activities</b>	<b><u><u>\$ 16,821,913</u></u></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, 2009

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 7,974,824	\$ 340,525		\$ 8,315,349
Tuition. . . . .	537,902			537,902
Earnings on investments. . . . .	329,903	3,953	\$ 1,066	334,922
Charges for services . . . . .			655,097	655,097
Extracurricular. . . . .	18,739		224,891	243,630
Classroom materials and fees . . . . .	882		92,948	93,830
Rental income . . . . .	2,120		7,613	9,733
Contributions and donations . . . . .			42,792	42,792
Other local revenues. . . . .	9,015		21,946	30,961
Intergovernmental - state. . . . .	9,716,987	346,125	126,695	10,189,807
Intergovernmental - federal . . . . .	16,660		891,199	907,859
Total revenue. . . . .	<u>18,607,032</u>	<u>690,603</u>	<u>2,064,247</u>	<u>21,361,882</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,813,273		131,541	8,944,814
Special. . . . .	1,465,797		450,841	1,916,638
Vocational. . . . .	22,726			22,726
Adult/continuing. . . . .			6,578	6,578
Other . . . . .	276,941			276,941
Support Services:				
Pupil. . . . .	905,123		37,482	942,605
Instructional staff . . . . .	1,026,690		65,830	1,092,520
Board of education . . . . .	220,845			220,845
Administration . . . . .	1,515,816		140,852	1,656,668
Fiscal . . . . .	498,883	6,049		504,932
Operations and maintenance . . . . .	2,646,515			2,646,515
Pupil transportation . . . . .	1,060,503	469,878		1,530,381
Central. . . . .	199,301	54,046	78,481	331,828
Operation of non-instructional services:				
Food service operations . . . . .			862,896	862,896
Other non-instructional services . . . . .	12,158		173,089	185,247
Extracurricular activities . . . . .	407,967		176,440	584,407
Facilities acquisition and construction . . . . .	120	340,165		340,285
Total expenditures . . . . .	<u>19,072,658</u>	<u>870,138</u>	<u>2,124,030</u>	<u>22,066,826</u>
Net change in fund balances. . . . .	(465,626)	(179,535)	(59,783)	(704,944)
<b>Fund balances at beginning of year . . . . .</b>	<u>4,091,952</u>	<u>1,446,953</u>	<u>1,555,418</u>	<u>7,094,323</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 3,626,326</u>	<u>\$ 1,267,418</u>	<u>\$ 1,495,635</u>	<u>\$ 6,389,379</u>

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, 2009

**Net change in fund balances - total governmental funds** \$ (704,944)

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

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

Capital asset additions	\$ 947,283	
Current year depreciation	<u>(571,826)</u>	
Total		375,457

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	(257,472)	
Accumulated depreciation	<u>242,472</u>	
Total		(15,000)

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

Taxes	23,098	
Earnings on investments	(47,101)	
Intergovernmental revenue	<u>19,972</u>	
Total		(4,031)

Some expenses reported in 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.

28,544

**Change in net assets of governmental activities** **\$ (319,974)**

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, 2009

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 8,011,932	\$ 7,928,886	\$ 7,929,911	\$ 1,025
Tuition . . . . .	499,702	494,522	537,902	43,380
Earnings on investments . . . . .	351,357	347,715	348,512	797
Extracurricular . . . . .	18,935	18,739	18,739	
Classroom materials and fees . . . . .	548	542	882	340
Rental income . . . . .	389	385	360	(25)
Other local revenues . . . . .	14,776	14,623	15,286	663
Intergovernmental - state . . . . .	9,479,722	9,381,462	9,716,987	335,525
Intergovernmental - federal . . . . .	16,834	16,660	16,660	
Total revenue . . . . .	<u>18,394,195</u>	<u>18,203,534</u>	<u>18,585,239</u>	<u>381,705</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,870,683	8,870,506	8,818,343	52,163
Special . . . . .	1,384,283	1,384,255	1,509,690	(125,435)
Vocational . . . . .	26,056	26,055	22,722	3,333
Other . . . . .	287,506	287,500	287,886	(386)
Support services:				
Pupil . . . . .	861,244	861,227	900,927	(39,700)
Instructional staff . . . . .	982,365	982,345	1,025,155	(42,810)
Board of education . . . . .	158,143	158,140	218,654	(60,514)
Administration . . . . .	1,462,394	1,462,365	1,536,821	(74,456)
Fiscal . . . . .	486,040	486,030	484,666	1,364
Operations and maintenance . . . . .	2,667,792	2,667,739	2,799,283	(131,544)
Pupil transportation . . . . .	1,112,047	1,112,025	1,148,385	(36,360)
Central . . . . .	183,095	183,091	212,514	(29,423)
Operation of non-instructional services:				
Other non-instructional services . . . . .	21,104	21,104	20,135	969
Extracurricular activities . . . . .	422,813	422,805	410,698	12,107
Facilities acquisition and construction . . . . .	120	120	120	
Total expenditures . . . . .	<u>18,925,685</u>	<u>18,925,307</u>	<u>19,395,999</u>	<u>(470,692)</u>
Excess of expenditures over revenues . . . . .	<u>(531,490)</u>	<u>(721,773)</u>	<u>(810,760)</u>	<u>(88,987)</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(525,010)	(525,000)		525,000
Advances (out) . . . . .			(16,091)	(16,091)
Refund of prior year expenditures . . . . .	620	614	614	
Total other financing sources (uses) . . . . .	<u>(524,390)</u>	<u>(524,386)</u>	<u>(15,477)</u>	<u>508,909</u>
Net change in fund balance . . . . .	(1,055,880)	(1,246,159)	(826,237)	419,922
<b>Fund balance at beginning of year . . . . .</b>	<b>5,495,856</b>	<b>5,495,856</b>	<b>5,495,856</b>	
<b>Prior year encumbrances appropriated . . . . .</b>	<b>255,695</b>	<b>255,695</b>	<b>255,695</b>	
<b>Fund balance at end of year . . . . .</b>	<u><b>\$ 4,695,671</b></u>	<u><b>\$ 4,505,392</b></u>	<u><b>\$ 4,925,314</b></u>	<u><b>\$ 419,922</b></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2009

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 91,013
Accounts receivable . . . . .	615
	91,628
Total assets . . . . .	91,628
<b>Liabilities:</b>	
Intergovernmental payable . . . . .	57
Due to students . . . . .	91,571
	91,571
Total liabilities . . . . .	\$ 91,628

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, 2009**

**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 132 certified (including administrative) and 124 classified full-time and part-time employees to provide services to approximately 1,910 students in grades K through 12 and various community groups, which ranks it 282<sup>nd</sup> out of approximately 922 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, 2009  
(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 access 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. 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 \$55,837 to NOECA for services in fiscal year 2009. 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, 2009  
(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.

*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.

The San-Ott School Employees Welfare Benefit Association ("the Association")

The District participates in a shared risk pool, with participants from Sandusky and Ottawa counties. The Association is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to San-Ott School Employees Welfare Benefit Association, Jay Valasek, Treasurer of Vanguard-Sentinel Career Center, at 1306 Cedar Street, Fremont, Ohio 43420.

School of Ohio Risk Sharing Authority

The District also participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

**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. Each category is divided into separate fund types.

*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, Ohio Revised Code.

The other governmental funds of the District account for (a) grants and other resources whose use is restricted to a particular purpose; (b) food service operations; and (c) financial resources used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds.

*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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

**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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

*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.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 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, 2009 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

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. The Ottawa County Budget Commission waived this requirement for fiscal year 2009.

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 of estimated resources 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 of estimated resources issued during the fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

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 2009, 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.

The District has invested funds in STAR Ohio during fiscal year 2009. 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, 2009.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

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 2009 amounted to \$329,903, which includes \$115,447 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. Inventories are accounted for using the consumption method. Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**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 2009, the District maintained a 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.

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 Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables." This interfund balance is eliminated in the governmental activities column on the statement of net assets.

**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, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, 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.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

The District has also designated portions of fund equity which are legally segregated for a specific future use. 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 consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for the food service and uniform school supplies funds (both nonmajor governmental funds). The amount also includes an amount designated for termination benefits and amounts restricted by State statute for school bus purchases and instructional materials.

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. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

**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.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

**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 basic 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 2009.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 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, 2009  
(Continued)

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

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balance**

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
EMIS	\$ 4,378
Title VI-B	24,937
Title I	205
Title V	2,492
Improving Teacher Quality	6,837
Miscellaneous Federal Grants	718

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the Title V and Miscellaneous Federal Grants funds resulted from the reporting of short-term interfund loans as a fund liability rather than as an other financing source.

The deficit fund balances in the EMIS, Title VI-B, Title I and Improving Teacher Quality funds resulted from both the reporting of short-term interfund loans as a fund liability rather than as an other financing source and 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

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;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 \$5,650 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".

**B. Cash in Segregated Accounts**

At year end, the District had \$5,278 on deposit with The National Bank of Oak Harbor. This amount is included in the total amount of "Deposits with Financial Institutions".

**C. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$7,515,123. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$1,000,000 of the District's bank balance of \$7,552,293 was covered by the FDIC, while \$6,552,293 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

**D. Investments**

As of June 30, 2009, the District had the following investment and maturity:

Investment	Fair Value	Maturity 6 months or less
STAR Ohio	\$ 952,862	\$ 952,862

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.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Ohio law requires that depositories must collateralize deposits. The District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of securities representing such investments to the Treasurer or qualified trustee.

*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.

*Concentration of Credit Risk:* The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

Investment type	Fair Value	% to Total
STAR Ohio	\$ 952,862	100.00



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

**E. 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, 2009:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 7,515,123
Investments	952,862
Cash on hand	<u>5,650</u>
Total	<u>\$ 8,473,635</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 8,382,622
Agency funds	<u>91,013</u>
Total	<u>\$ 8,473,635</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund loans receivable/payable consisted of the following at June 30, 2009, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 16,091

The interfund loans were necessitated to cover costs in specific funds where revenues were not received by June 30. These interfund loans will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances are reported on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**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 property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$563,471 in the general fund and \$19,569 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2008 was \$518,558 in the general fund and \$18,141 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 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.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 256,707,390	73.72	\$ 257,880,110	72.97
Public utility personal property	90,059,590	25.87	93,255,110	26.39
Tangible personal property	<u>1,410,350</u>	<u>0.41</u>	<u>2,260,770</u>	<u>0.64</u>
Total	<u>\$ 348,177,330</u>	<u>100.00</u>	<u>\$ 353,395,990</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
General operations	\$ 35.83		\$ 34.13	
Permanent improvement	1.50		1.50	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2009 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	\$ 8,668,444
Accounts	2,201
Intergovernmental	23,038
Accrued interest	<u>112,464</u>
Total	<u>\$ 8,806,147</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, 2009  
(Continued)

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Balance <u>06/30/08</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/09</u>
<b><u>Governmental activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 372,525			\$ 372,525
Total capital assets, not being depreciated	<u>372,525</u>			<u>372,525</u>
Capital assets, being depreciated:				
Land improvements	1,544,750			1,544,750
Buildings and improvements	19,250,119	\$ 368,109		19,618,228
Equipment and furniture	484,851	85,740		570,591
Vehicles	2,204,102	493,434	\$ (257,472)	2,440,064
Total capital assets, being depreciated	<u>23,483,822</u>	<u>947,283</u>	<u>(257,472)</u>	<u>24,173,633</u>
Less: accumulated depreciation:				
Land improvements	(1,092,067)	(18,482)		(1,110,549)
Buildings and improvements	(10,071,635)	(373,644)		(10,445,279)
Equipment and furniture	(360,806)	(23,839)		(384,645)
Vehicles	(1,282,681)	(155,861)	242,472	(1,196,070)
Total accumulated depreciation	<u>(12,807,189)</u>	<u>(571,826)</u>	<u>242,472</u>	<u>(13,136,543)</u>
Total capital assets, net	<u>\$ 11,049,158</u>	<u>\$ 375,457</u>	<u>\$ (15,000)</u>	<u>\$ 11,409,615</u>

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 271,068
<u>Support services:</u>	
Administration	19,222
Operations and maintenance	42,543
Pupil transportation	124,625
Central	9,148
Other non-instructional services	2,745
Extracurricular activities	83,253
Food service operations	<u>19,222</u>
Total depreciation expense	<u>\$ 571,826</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

<u>Governmental activities:</u>	<u>Balance 6/30/08</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/09</u>	<u>Amount Due In One Year</u>
Compensated absences	1,527,502	242,438	(250,967)	1,518,973	121,648
Retirement incentive	30,000	10,000	(30,000)	10,000	10,000
Total governmental activities	<u>\$ 1,557,502</u>	<u>\$ 252,438</u>	<u>\$ (280,967)</u>	<u>\$ 1,528,973</u>	<u>\$ 131,648</u>

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 margin 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 calculation 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, 2009, are a voted debt margin of \$31,554,060 and an unvoted debt margin of \$350,601.

**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 2009, the District contracted with the Schools of Ohio Risk Sharing Authority (SORSA) (See Note 2A) 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 \$1,000 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 \$5,000 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 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 10 - RISK MANAGEMENT - (Continued)**

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

For fiscal year 2009, the District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) (See Note 2A), 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. 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") (See Note 2A), 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.

**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*.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

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 2009, 9.09 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, 2009, 2008 and 2007 were \$299,145, \$283,906 and \$284,761, respectively; 44.82 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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 website 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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

Funding Policy - For fiscal year 2009, 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, 2009, 2008 and 2007 were \$1,125,806, \$1,096,517 and \$1,064,943, respectively; 83.67 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$19,507 made by the District and \$28,167 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, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**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 105(e). For 2009, 4.16 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 2009, the actuarially determined amount was \$35,800.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

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 (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$193,485, \$185,919 and \$136,064, respectively; 44.82 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$24,682, \$20,456 and \$19,364, respectively; 44.82 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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.

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 2009, 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, 2009, 2008, and 2007 were \$86,600, \$84,347 and \$81,919, respectively; 83.67 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**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 Ohio, 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 \$10,000 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 revenues, 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); and,
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(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>General fund</u>
Budget basis	\$ (826,237)
Net adjustment for revenue accruals	21,793
Net adjustment for expenditure accruals	(171,932)
Net adjustment for other financing sources/uses	15,477
Adjustment for encumbrances	<u>495,273</u>
GAAP basis	<u>\$ (465,626)</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, 2009  
(Continued)

**NOTE 16 - STATUTORY RESERVES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Instructional Materials	Capital Maintenance
Set-aside balance at June 30, 2008	\$ 412,729	
Current year set-aside requirement	285,571	\$ 285,571
Current year offsets		(339,097)
Current year qualifying expenditures	(311,370)	(43,625)
Set-aside balance at June 30, 2009	\$ 386,930	\$ (97,151)
Balance carried forward to fiscal year 2010	\$ 386,930	

The District had qualifying offsets during the year that reduced the capital acquisition set-aside amounts below zero. These extra amounts may not be used to reduce the set-aside requirements of future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the governmental fund restricted assets at June 30, 2009 follows:

Amount restricted for instructional materials	\$ 386,930
Amount restricted for school bus purchases	15,616
Total restricted assets	\$ 402,546

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

**FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
National School Lunch Program:			
Non-Cash Assistance (Food Distribution)	10.555	\$41,760	\$41,760
Cash Assistance		225,422	225,422
Total National School Lunch Program		<u>267,182</u>	<u>267,182</u>
School Breakfast Program	10.553	<u>49,012</u>	<u>49,012</u>
Total U.S. Department of Agriculture		<u><b>316,194</b></u>	<u><b>316,194</b></u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<u>Special Education Cluster:</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Grants to States	84.027	543,494	442,982
<i>Passed Through North Point Educational Service Center:</i>			
Special Education Preschool Grants	84.173	<u>13,172</u>	<u>13,172</u>
Total Special Education Cluster		<u>556,666</u>	<u>456,154</u>
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	159,460	160,138
Migrant Education State Grant Program	84.011	454	1,628
Safe and Drug-Free Schools and Communities State Grants	84.186	5,384	4,594
State Grants for Innovative Programs	84.298	146	2,638
Education Technology State Grants	84.318	2,329	3,109
Improving Teacher Quality State Grants	84.367	<u>58,648</u>	<u>47,948</u>
Total Department of Education		<u><b>783,087</b></u>	<u><b>676,209</b></u>
<b>Total Federal Awards Receipt and Expenditure</b>		<u><b>\$1,099,281</b></u>	<u><b>\$992,403</b></u>

*The accompanying notes to this schedule are an integral part of this schedule.*

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

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipt and Expenditure Schedule (the Schedule) reports the Benton-Carroll-Salem Local School District's (the District's) federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. It is assumed federal monies are expended first.

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

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# 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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2010. 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.

We noted certain matters that we reported to the District's management in a separate letter dated March 10, 2010.

#### **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 matters that we reported to the District's management in a separate letter dated March 10, 2010.

We intend this report solely for the information and use of management, 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 10, 2010





# 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 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, 2009. 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, 2009. In a separate letter to the District's management dated March 10, 2010, we reported a matter related to federal noncompliance not requiring inclusion in this report.

### 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. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 10, 2010.

We intend this report solely for the information and use of management, 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 10, 2010

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

**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):	Special Education Cluster – CFDA #'s 84.027 and 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on March 5, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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)

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



**Mary Taylor, CPA**  
Auditor of State

March 10, 2010



**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**  
**MARCH 25, 2010**