

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

**BASIC FINANCIAL STATEMENTS
*(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2012***

TIM COFFMAN, TREASURER



Dave Yost • Auditor of State

Board of Education
Benton-Carroll-Salem Local School District
11685 West State Route 163
Oak Harbor, Ohio 43449

We have reviewed the *Independent Accountants' Report* of the Benton-Carroll-Salem Local School District, Ottawa County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Benton-Carroll-Salem Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 18, 2013

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

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

TABLE OF CONTENTS

Independent Accountants' Report	1 - 2
Management's Discussion and Analysis	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets - Cash Basis.....	13
Statement of Activities - Cash Basis	14
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis - Governmental Funds	15
Statement of Cash Receipts, Disbursements and Changes in Fund	
Balances - Cash Basis - Governmental Funds.....	16
Statement of Cash Receipts, Disbursements and Change in Fund	
Balance - Budget and Actual - Budget Basis - General Fund	17
Statement of Fiduciary Net Assets - Cash Basis - Fiduciary Fund.....	18
Notes to the Basic Financial Statements.....	19 - 40
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards	41
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	42 - 43
Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	44 - 45
Schedule of Findings and Responses <i>OMB Circular A-133 § .505</i>	46 - 47
Status of Prior Audit Findings <i>OMB Circular A-133 § .505</i>	48

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

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

To the Board of Education:

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

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

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

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

For the fiscal year 2012, the Benton-Carroll-Salem Local School District changed its accounting basis from accounting principles generally accepted in the United States of America to the cash basis of accounting. See Note 3 for further information.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012, on our consideration of the Benton-Carroll-Salem Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Independent Accountants' Report
Benton-Carroll-Salem Local School District
Page Two

We conducted our audit to opine on the Benton-Carroll-Salem Local School District's financial statements taken as a whole. Management's Discussion and Analysis on pages 3 through 12 include tables of net cash assets, change in net cash assets, governmental activities, governmental funds and general fund cash receipts and disbursements. The schedule of receipts and expenditures of federal awards on page 41 (the "Schedule") is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Julian & Grube, Inc.
November 21, 2012

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

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

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 cash basis financial activities for the fiscal year ended June 30, 2012. 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 2012 are as follows:

- At June 30, 2011, the District restated net cash assets as described in Note 3.B to the basic financial statements. In total, net cash assets of governmental activities decreased \$1,356,238, which represents a 24.47% decrease from fiscal year 2011.
- General cash receipts accounted for \$17,496,102 in cash receipts or 84.89% of all cash receipts. Program specific cash receipts in the form of charges for services and sales and grants and contributions accounted for \$3,113,180 or 15.11% of total cash receipts of \$20,609,282.
- The District had \$21,965,520 in cash disbursements related to governmental activities; \$3,113,180 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$17,496,102 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, permanent improvement fund and capital projects fund. The District restated fund cash balances at June 30, 2011 as described in Note 3.B to the basic financial statements. The general fund had \$17,980,678 in cash receipts and other financing sources and \$19,342,027 in cash disbursements. During fiscal year 2012, the general fund's fund cash balance decreased \$1,361,349 from \$3,210,646 to \$1,849,297.
- The permanent improvement fund had \$604,389 in cash receipts and \$609,542 in cash disbursements. During fiscal year 2012, the permanent improvement fund's fund cash balance decreased \$5,153 from \$1,398,075 to \$1,392,922.
- The capital projects fund had no cash receipts or cash disbursements during fiscal year 2012 and maintained a fund cash balance of \$500,000.

Using the Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net assets – cash basis and statement of activities – cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis 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, permanent improvement fund and capital projects fund are all reported as major funds.

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets – cash basis and the statement of activities – cash basis answer the question, “How did the District do financially during fiscal year 2012?” These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

These two statements report the District’s net assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the District as a whole, the cash basis 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.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services and not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net assets – cash basis and statement of activities – cash basis, the governmental activities include the District’s programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District’s statement of net assets – cash basis and statement of activities – cash basis can be found on pages 13-14 of this report.

Reporting the District’s Most Significant Funds

Fund Financial Statements

The analysis of the District’s major governmental funds begins on page 9. 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’ most significant funds. The District’s major governmental funds are the general fund, permanent improvement fund and capital projects 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 the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District’s operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The basic governmental fund financial statements can be found on pages 15-17 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 – cash basis on page 18. 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. These notes to the basic financial statements can be found on pages 19-40 of this report.

The District as a Whole

The table below provides a summary of the District's net cash assets at June 30, 2012 and June 30, 2011, as restated in Note 3.B to the basic financial statements.

	Net Cash Assets	
	Governmental Activities 2012	Restated Governmental Activities 2011
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets	\$ 4,186,871	\$ 5,543,109
<u>Net Cash Assets</u>		
Restricted	1,558,990	2,213,724
Unrestricted	<u>2,627,881</u>	<u>3,329,385</u>
Total net cash assets	<u>\$ 4,186,871</u>	<u>\$ 5,543,109</u>

Total net cash assets of the District decreased \$1,356,238, which represents a 24.47% decrease from restated net cash assets at June 30, 2011. A portion of the District's net cash assets, \$1,558,990, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash assets of \$2,627,881 may be used to meet the District's ongoing obligations to the students and creditors.

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

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

The table below shows the change in net cash assets for fiscal years 2012 and 2011, as restated in Note 3.B to the basic financial statements.

Change in Net Cash Assets

	Governmental Activities <u>2012</u>	Restated Governmental Activities <u>2011</u>
<u>Cash receipts:</u>		
Program cash receipts:		
Charges for services and sales	\$ 1,548,939	\$ 1,655,261
Operating grants and contributions	1,564,241	1,711,571
General cash receipts:		
Property taxes	8,522,543	8,180,099
Grants and entitlements	8,920,682	9,674,152
Investment earnings	30,599	67,485
Other	<u>22,278</u>	<u>25,036</u>
Total cash receipts	<u>20,609,282</u>	<u>21,313,604</u>

-Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Change in Net Cash Assets (Continued)

	Governmental Activities <u>2012</u>	Restated Governmental Activities <u>2011</u>
<u>Cash disbursements:</u>		
Current:		
Instruction:		
Regular	\$ 9,069,563	\$ 9,786,499
Special	2,030,859	1,835,606
Vocational	14,237	23,930
Adult/continuing	26	17,683
Other	134,564	177,890
Support services:		
Pupil	996,756	1,307,236
Instructional staff	1,277,002	1,384,930
Board of education	141,100	107,923
Administration	1,890,823	1,885,665
Fiscal	407,601	485,204
Operations and maintenance	2,419,012	2,575,103
Pupil transportation	1,279,190	1,155,463
Central	259,347	358,612
Operation of non-instructional services:		
Food service operations	780,213	820,772
Other non-instructional services	174,964	242,555
Extracurricular activities	647,717	659,522
Facilities acquisition and construction	<u>442,546</u>	<u>646,688</u>
Total cash disbursements	<u>21,965,520</u>	<u>23,471,281</u>
Change in net cash assets	(1,356,238)	(2,157,677)
Net cash assets at beginning of year (restated)	<u>5,543,109</u>	<u>7,700,786</u>
Net cash assets at end of year	<u>\$ 4,186,871</u>	<u>\$ 5,543,109</u>

Governmental Activities

Net cash assets of the District's governmental activities decreased \$1,356,238. Total governmental cash disbursements of \$21,965,520 were offset by program cash receipts of \$3,113,180 and general cash receipts of \$17,496,102. Program cash receipts supported 14.17% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes and grants and entitlements. These cash receipt sources represent 84.64% of total governmental cash receipts.

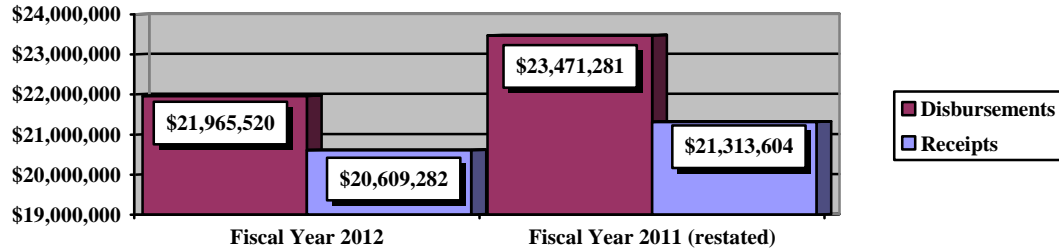
The largest cash disbursement category of the District is for instructional programs. Instruction cash disbursements totaled \$11,249,249 or 51.21% of total governmental cash disbursements for fiscal year 2012.

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

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

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2012 and 2011, as restated in Note 3.B to the basic financial statements.

Governmental Activities - Cash Receipts and Cash Disbursements



The statement of activities – cash basis 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 2012 and 2011, as restated in Note 3.B to the basic financial statements. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Restated Total Cost of Services 2011	Restated Net Cost of Services 2011
Cash disbursements:				
Instruction:				
Regular	\$ 9,069,563	\$ 8,334,956	\$ 9,786,499	\$ 8,688,444
Special	2,030,859	1,271,660	1,835,606	1,480,567
Vocational	14,237	13,362	23,930	23,055
Adult/continuing	26	26	17,683	1,953
Other	134,564	134,564	177,890	177,890
Support services:				
Pupil	996,756	835,867	1,307,236	1,029,691
Instructional staff	1,277,002	1,184,191	1,384,930	1,268,607
Board of education	141,100	141,100	107,923	107,923
Administration	1,890,823	1,760,204	1,885,665	1,764,352
Fiscal	407,601	407,601	485,204	485,204
Operations and maintenance	2,419,012	2,412,549	2,575,103	2,567,743
Pupil transportation	1,279,190	1,217,614	1,155,463	1,079,730
Central	259,347	259,347	358,612	327,468
Operation of non-instructional services:				
Food service operations	780,213	11,015	820,772	(29,597)
Other non-instructional services	174,964	5,993	242,555	21,964
Extracurricular activities	647,717	419,745	659,522	462,767
Facilities acquisition and construction	442,546	442,546	646,688	646,688
Total	<u>\$ 21,965,520</u>	<u>\$ 18,852,340</u>	<u>\$ 23,471,281</u>	<u>\$ 20,104,449</u>

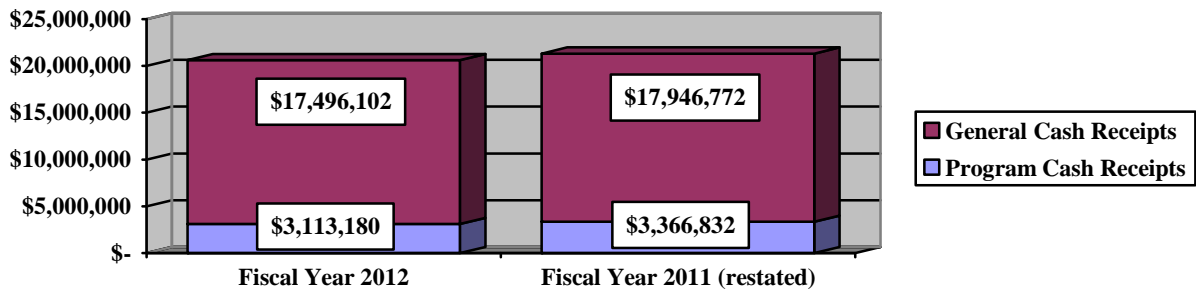
**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

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

The dependence upon tax and other general cash receipts for governmental activities is apparent, 86.71% of instructional activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 85.83%. 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 cash receipts for fiscal years 2012 and 2011, as restated in Note 3.B to the basic financial statements.

Governmental Activities - General and Program Cash Receipts



The District's Funds

The District's governmental funds reported a combined fund cash balance of \$4,186,871, which is lower than last year's total restated fund cash balance of \$5,543,109 (as described in Note 3.B). The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2012 and June 30, 2011.

	Fund Cash Balance <u>June 30, 2012</u>	Restated Fund Cash Balance <u>June 30, 2011</u>	Increase/ (Decrease)	Percentage Change
General	\$ 1,849,297	\$ 3,210,646	\$ (1,361,349)	(42.40) %
Permanent improvement	1,392,922	1,398,075	(5,153)	(0.37) %
Capital projects	500,000	500,000	-	-
Other governmental	<u>444,652</u>	<u>434,388</u>	<u>10,264</u>	2.36 %
Total	<u>\$ 4,186,871</u>	<u>\$ 5,543,109</u>	<u>\$ (1,356,238)</u>	(24.47) %

General Fund

The District's general fund cash balance decreased \$1,361,349.

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

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

The table that follows assists in illustrating the financial activities and fund cash balance of the general fund, as restated in Note 3.B to the basic financial statements.

	2012 <u>Amount</u>	Restated 2011 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Cash receipts</u>				
Taxes	\$ 8,204,757	\$ 7,876,686	\$ 328,071	4.17 %
Tuition	575,458	632,249	(56,791)	(8.98) %
Earnings on investments	30,421	67,231	(36,810)	(54.75) %
Intergovernmental	8,859,173	9,562,998	(703,825)	(7.36) %
Other receipts	<u>209,861</u>	<u>209,649</u>	<u>212</u>	0.10 %
Total	<u>\$ 17,879,670</u>	<u>\$ 18,348,813</u>	<u>\$ (469,143)</u>	(2.56) %
<u>Cash disbursements</u>				
Instruction	\$ 10,701,128	\$ 11,102,373	\$ (401,245)	(3.61) %
Support services	8,156,293	8,541,664	(385,371)	(4.51) %
Non-instructional services	10,596	24,733	(14,137)	(57.16) %
Extracurricular activities	473,890	458,477	15,413	3.36 %
Facilities acquisition and construction	<u>120</u>	<u>120</u>	<u>-</u>	- %
Total	<u>\$ 19,342,027</u>	<u>\$ 20,127,367</u>	<u>\$ (785,340)</u>	(3.90) %

Overall cash receipts decreased \$469,143 or 2.56% during fiscal year 2012. Tax cash receipts increased \$328,071 or 4.17% due to improving performance in the area of real estate tax. Intergovernmental cash receipts decreased \$703,825 or 7.36% due to a decrease in basic aid from the State as well as decreasing electric deregulation property tax replacement cash receipts. Earnings on investments continue to decrease due to declining interest rates.

Overall cash disbursements decreased \$785,340 or 3.90% during fiscal year 2012. The decrease in cash disbursements of various District activities is a result of the District attempting to remain fiscally responsible during difficult economic times.

Permanent Improvement Fund

The permanent improvement fund had \$604,389 in cash receipts and \$609,542 in cash disbursements. During fiscal year 2012, the permanent improvement fund's fund cash balance decreased \$5,153 from \$1,398,075 to \$1,392,922.

Capital Projects Fund

The capital projects fund had no cash receipts or cash disbursements during fiscal year 2012 and maintained a fund cash balance of \$500,000.

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

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

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.

For the general fund, final budgetary basis receipts and other financing sources were \$73,028 less than original budget estimates of \$17,501,823. The actual budgetary basis receipts and other financing sources of \$17,806,292 were more than final budget estimates by \$377,497. The final budgetary basis disbursements and other financing uses of \$19,664,582 were \$50,296 more than original budget estimates. The actual budgetary basis disbursements of \$19,262,551 were \$402,031 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements. The District had facilities acquisition and construction cash disbursements of \$442,546 during fiscal year 2012.

Debt Administration

The District did not have any long-term obligations outstanding at June 30, 2012 and June 30, 2011.

Current Financial Related Activities

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon the tax receipts from the nuclear power plant that is located within the District's boundaries. The unemployment rate in Ottawa County has slowly been improving, but is still in the high range compared to other areas. This continues to impact 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 and has resulted in steady property tax receipts for the District.

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 just over a \$1.5 million carryover balance. The administration and Board of Education reduced staffing levels by approximately 40 positions at the end of the 2011-2012 school year and also closed two elementary school buildings. The District is reviewing the current five year forecast and looking at options intended to reduce deficit spending trends. The District had one emergency levy attempt in November 2011 that failed, but was successful in 2012 in renewing an existing levy.

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

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

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 Timothy R. Coffman, Treasurer, Benton-Carroll-Salem Local School District, 11685 W. St. Rt. 163, Oak Harbor, Ohio 43449.

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

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . . .	\$ 4,186,227
Cash in segregated accounts	644
 Total assets.	 4,186,871
 Net cash assets:	
Restricted for:	
Capital projects	1,114,338
Locally funded programs	543
State funded programs.	7,275
Federally funded programs	53,778
Student activities	56,300
Food service operations	319,235
Other purposes	7,521
Unrestricted	2,627,881
 Total net cash assets	 \$ 4,186,871

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Assets
		Charges for Services and Sales	Operating Grants and Contributions	Total
Governmental activities:				
Instruction:				
Regular	\$ 9,069,563	\$ 608,603	\$ 126,004	\$ (8,334,956)
Special	2,030,859	80,373	678,826	(1,271,660)
Vocational	14,237	-	875	(13,362)
Adult/continuing.	26	-	-	(26)
Other	134,564	-	-	(134,564)
Support services:				
Pupil.	996,756	-	160,889	(835,867)
Instructional staff	1,277,002	-	92,811	(1,184,191)
Board of education	141,100	-	-	(141,100)
Administration.	1,890,823	19,158	111,461	(1,760,204)
Fiscal.	407,601	-	-	(407,601)
Operations and maintenance	2,419,012	6,463	-	(2,412,549)
Pupil transportation.	1,279,190	1,899	59,677	(1,217,614)
Central	259,347	-	-	(259,347)
Operation of non-instructional services:				
Food service operations	780,213	487,423	281,775	(11,015)
Other non-instructional services	174,964	134,202	34,769	(5,993)
Extracurricular activities.	647,717	210,818	17,154	(419,745)
Facilities acquisition and construction	442,546	-	-	(442,546)
Total governmental activities	<u>\$ 21,965,520</u>	<u>\$ 1,548,939</u>	<u>\$ 1,564,241</u>	<u>(18,852,340)</u>

General Cash Receipts:

Property taxes levied for:	
General purposes	8,204,757
Capital projects.	317,786
Grants and entitlements not restricted	
to specific programs	8,920,682
Earnings on investments	30,599
Miscellaneous	22,278
Total general cash receipts.	<u>17,496,102</u>
Change in net cash assets	(1,356,238)
Net cash assets at beginning of year (restated).	<u>5,543,109</u>
Net cash assets at end of year	<u>\$ 4,186,871</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>General</u>	<u>Permanent Improvement</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 1,848,653	\$ 1,392,922	\$ 500,000	\$ 444,652	\$ 4,186,227
Cash in segregated accounts	644	-	-	-	644
Total assets	<u>\$ 1,849,297</u>	<u>\$ 1,392,922</u>	<u>\$ 500,000</u>	<u>\$ 444,652</u>	<u>\$ 4,186,871</u>
Fund cash balances:					
Restricted:					
Capital improvements	\$ -	\$ 1,114,338	\$ -	\$ -	\$ 1,114,338
Community education	-	-	-	7,521	7,521
Food service operations	-	-	-	319,235	319,235
Non-public schools	-	-	-	6,159	6,159
Special education	-	-	-	20,776	20,776
Targeted academic assistance	-	-	-	17,551	17,551
Extracurricular.	-	-	-	56,300	56,300
Other purposes.	-	-	-	17,110	17,110
Committed:					
Capital improvements	-	278,584	500,000	-	778,584
Termination benefits.	158,989	-	-	-	158,989
Assigned:					
Student instruction	51,526	-	-	-	51,526
Student and staff support.	109,210	-	-	-	109,210
Facilities acquisition and construction	26,127	-	-	-	26,127
School supplies	66,798	-	-	-	66,798
Other purposes.	25,633	-	-	-	25,633
Unassigned.	1,411,014	-	-	-	1,411,014
Total fund cash balances	<u>\$ 1,849,297</u>	<u>\$ 1,392,922</u>	<u>\$ 500,000</u>	<u>\$ 444,652</u>	<u>\$ 4,186,871</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	General	Permanent Improvement	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash receipts:					
From local sources:					
Taxes	\$ 8,204,757	\$ 317,786	\$ -	\$ -	\$ 8,522,543
Tuition	575,458	-	-	-	575,458
Transportation fees	1,899	-	-	-	1,899
Earnings on investments	30,421	178	-	47	30,646
Charges for services	-	-	-	592,298	592,298
Extracurricular	97,782	-	-	189,772	287,554
Classroom materials and fees	80,536	-	-	1,301	81,837
Rental income	6,463	-	-	630	7,093
Contributions and donations	2,410	-	-	20,808	23,218
Contract services	903	-	-	-	903
Other local receipts	19,868	-	-	4,397	24,265
Intergovernmental - state	8,840,024	286,425	-	42,994	9,169,443
Intergovernmental - federal	19,149	-	-	1,272,976	1,292,125
Total cash receipts	<u>17,879,670</u>	<u>604,389</u>	<u>-</u>	<u>2,125,223</u>	<u>20,609,282</u>
Cash disbursements:					
Current:					
Instruction:					
Regular	8,945,532	-	-	124,031	9,069,563
Special	1,606,795	-	-	424,064	2,030,859
Vocational	14,237	-	-	-	14,237
Adult/continuing	-	-	-	26	26
Other	134,564	-	-	-	134,564
Support services:					
Pupil	843,234	-	-	153,522	996,756
Instructional staff	1,198,435	-	-	78,567	1,277,002
Board of education	141,100	-	-	-	141,100
Administration	1,785,627	-	-	105,196	1,890,823
Fiscal	401,731	5,870	-	-	407,601
Operations and maintenance	2,419,012	-	-	-	2,419,012
Pupil transportation	1,120,020	155,715	-	3,455	1,279,190
Central	247,134	5,531	-	6,682	259,347
Operation of non-instructional services:					
Food service operations	-	-	-	780,213	780,213
Other non-instructional services	10,596	-	-	164,368	174,964
Extracurricular activities	473,890	-	-	173,827	647,717
Facilities acquisition and construction	120	442,426	-	-	442,546
Total cash disbursements	<u>19,342,027</u>	<u>609,542</u>	<u>-</u>	<u>2,013,951</u>	<u>21,965,520</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>(1,462,357)</u>	<u>(5,153)</u>	<u>-</u>	<u>111,272</u>	<u>(1,356,238)</u>
Other financing sources (uses):					
Advances in	101,008	-	-	-	101,008
Advances (out)	-	-	-	(101,008)	(101,008)
Total other financing sources (uses)	<u>101,008</u>	<u>-</u>	<u>-</u>	<u>(101,008)</u>	<u>-</u>
Net change in fund cash balances	(1,361,349)	(5,153)	-	10,264	(1,356,238)
Fund cash balances at beginning of year (restated).	<u>3,210,646</u>	<u>1,398,075</u>	<u>500,000</u>	<u>434,388</u>	<u>5,543,109</u>
Fund cash balances at end of year	<u>\$ 1,849,297</u>	<u>\$ 1,392,922</u>	<u>\$ 500,000</u>	<u>\$ 444,652</u>	<u>\$ 4,186,871</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
From local sources:				
Taxes	\$ 7,899,841	\$ 7,866,192	\$ 8,204,757	\$ 338,565
Tuition	631,502	629,142	575,458	(53,684)
Transportation fees	8	-	1,899	1,899
Earnings on investments	45,125	45,000	30,421	(14,579)
Extracurricular	45	-	10,950	10,950
Classroom materials and fees	1	-	180	180
Rental income	4,165	4,150	3,645	(505)
Other local receipts	4,031	4,000	7,617	3,617
Intergovernmental - state	8,783,758	8,747,503	8,840,024	92,521
Intergovernmental - federal	30,079	30,000	19,149	(10,851)
Total budgetary basis receipts	<u>17,398,555</u>	<u>17,325,987</u>	<u>17,694,100</u>	<u>368,113</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	13,895,712	13,917,832	8,796,733	5,121,099
Special	404,270	405,000	1,606,795	(1,201,795)
Vocational	6,555	6,567	14,237	(7,670)
Other	185,665	186,000	134,564	51,436
Support services:				
Pupil	548,751	549,742	843,956	(294,214)
Instructional staff	274,263	274,758	1,198,901	(924,143)
Board of education	203,448	203,815	160,876	42,939
Administration	1,568,782	1,571,615	1,760,604	(188,989)
Fiscal	518,646	519,583	402,197	117,386
Business	998	1,000	-	1,000
Operations and maintenance	1,453,179	1,455,804	2,479,840	(1,024,036)
Pupil transportation	316,027	332,242	1,123,734	(791,492)
Central	189,685	192,232	248,288	(56,056)
Extracurricular activities	38,323	38,392	465,579	(427,187)
Facilities acquisition and construction	-	-	26,247	(26,247)
Total budgetary basis disbursements	<u>19,604,304</u>	<u>19,654,582</u>	<u>19,262,551</u>	<u>392,031</u>
Excess of budgetary basis disbursements over budgetary basis receipts	<u>(2,205,749)</u>	<u>(2,328,595)</u>	<u>(1,568,451)</u>	<u>760,144</u>
Other financing sources (uses):				
Advances in	101,422	101,008	101,008	-
Advances (out)	(9,982)	(10,000)	-	10,000
Sale of assets	1,846	1,800	11,184	9,384
Total other financing sources (uses)	<u>93,286</u>	<u>92,808</u>	<u>112,192</u>	<u>19,384</u>
Net change in fund cash balance	(2,112,463)	(2,235,787)	(1,456,259)	779,528
Fund cash balance at beginning of year	2,286,380	2,286,380	2,286,380	-
Prior year encumbrances appropriated	580,249	580,249	580,249	-
Fund cash balance at end of year	<u>\$ 754,166</u>	<u>\$ 630,842</u>	<u>\$ 1,410,370</u>	<u>\$ 779,528</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2012

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	<u>\$ 89,152</u>
Total assets.	<u>89,152</u>
Net cash assets:	
Held for student activities	<u>89,152</u>
Total net cash assets.	<u>\$ 89,152</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

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 1970's 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 5 instructional buildings, 1 administrative building and a bus garage. The District is staffed by 118 non-certified employees and 129 certified full-time teaching personnel and administrators who provide services to 1,784 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.D, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the District's accounting policies.

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.

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 governments 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).

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

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

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

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. 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.

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.

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

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

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

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 Chapter 2744.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund cash balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

Permanent improvement fund - The permanent improvement fund is used to account for financial resources that are restricted to disbursements for the acquisition or construction of capital facilities and other capital assets.

Capital projects fund - The capital projects fund is used to accumulate financial resources that are committed to various capital project disbursements.

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

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

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

Other governmental funds of the District are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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. Proprietary funds are classified as either enterprise or internal service. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash assets and changes in net cash 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 does not have any trust funds. The District has one agency fund, which accounts for student activities.

C. Basis of Presentation

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 compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

All assets and net cash assets associated with the operation of the District are included on the statement of net assets.

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

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

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

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

D. Basis of Accounting

Although Ohio Administrative Code § 117-2-03(B) requires the District's financial report to follow accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

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 appropriation 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. Although the legal level of budgetary control was established at the fund level of disbursements, the District has elected to present the budgetary statement comparisons at the fund and function level of disbursements. 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 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.

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 July 1, 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, OHIO**

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

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. 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 2012, investments were limited to nonnegotiable certificates of deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2012. 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 shares price, which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest receipts credited to the general fund during fiscal year 2012 amounted to \$30,421, which includes \$14,784 assigned from other District funds.

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

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

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

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 and Prepaid Items

The District reports cash disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

I. Interfund Balances

On fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the cash basis of accounting. Advances are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

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

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

Long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal and interest payments. As of June 30, 2012, the District does not have any long-term obligations related to debt agreements or capital lease obligations.

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

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

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

M. Fund Cash Balance

Fund cash balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

Restricted - Fund cash balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

Assigned - Amounts in the assigned fund cash balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund cash balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund cash balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund cash balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund cash balance is available. Similarly, within unrestricted fund cash balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund cash balance classifications could be used.

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

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

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

N. Net Cash Assets

Net cash 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. Net cash assets restricted for other purposes include amounts restricted for special enterprises. The District did not have any net cash assets restricted by enabling legislation at June 30, 2012.

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

O. 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. The District did not have any restricted assets at June 30, 2012.

P. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. The District had no interfund transfer activity to report during fiscal year 2012.

Q. 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 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

B. Change in Basis of Accounting and Restatement of Prior Year Fund Balances and Net Assets

Ohio Administrative Code, Section 117-2-03(B), requires that the District prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. For the fiscal year ending June 30, 2012, the District changed from a basis of accounting that follows accounting principles generally accepted in the United States of America (GAAP-basis) to the cash basis of accounting (See Note 2.D), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The District has elected to present the cash basis financial statements in a format consistent with GASB Statement No. 34. Fund balances and net assets at June 30, 2011 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals and long-term assets and liabilities.

The transition from a GAAP-basis to the cash basis of accounting had the following effect on fund balances at June 30, 2011:

	Governmental Funds				
	General	Permanent Improvement	Capital Projects	Nonmajor Governmental	Total Governmental
Fund balance at June 30, 2011	\$ 1,586,641	\$ 1,410,536	\$ 500,000	\$ 285,856	\$ 3,783,033
Restatement due to change in reporting basis adjustments	1,624,005	(12,461)	-	148,532	1,760,076
Restated fund cash balance at June 30, 2011	\$ 3,210,646	\$ 1,398,075	\$ 500,000	\$ 434,388	\$ 5,543,109

The transition from a GAAP-basis to the cash basis of accounting had the following effect on net assets at June 30, 2011:

	Governmental Activities
Net assets at June 30, 2011	\$ 13,564,920
Restatement due to change in reporting basis adjustments	(8,021,811)
Restated net cash assets at June 30, 2011	\$ 5,543,109

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with a. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may 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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

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

B. Cash in Segregated Accounts

At year end, the District had \$644 on deposit with The National Bank of Ohio. This amount is included in the total amount of "Deposits with Financial Institutions".

C. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$4,260,464. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$2,913,380 of the District's bank balance of \$4,692,789 was covered by the FDIC, while \$1,779,409 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 collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2012, the District had the following investment and maturity:

Investment	Carrying Value	Maturity 6 months or less
STAR Ohio	\$ 10,009	\$ 10,009

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

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. 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 credit risk beyond the requirements of State statutes.

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 investment or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no 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, 2012:

Investment type	Carrying Value	% to Total
STAR Ohio	\$ 10,009	100.00

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, 2012:

Cash and investments per note disclosure

Carrying amount of deposits	\$ 4,260,464
Investments	10,009
Cash on hand	5,550
Total	\$ 4,276,023

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,186,871
Agency fund	<u>89,152</u>
Total	<u>\$ 4,276,023</u>

NOTE 5 - INTERFUND TRANSACTIONS

Advances for the fiscal year ended June 30, 2012, as reported on the fund statements, consist of the following:

<u>Advances in</u>	<u>Advances out</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 101,008</u>

The advances reported on the fund statements are return payments for advances that originated prior to fiscal year 2012.

The primary purpose of the advances is to cover costs in specific funds where expected funds were not received by June 30. New advances are expected to be repaid once the anticipated funds are received.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax receipts received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2012, are available to finance fiscal year 2012 operations. 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, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 270,396,140	77.09	\$ 269,690,800	71.69
Public utility personal	<u>80,373,140</u>	<u>22.91</u>	<u>106,474,270</u>	<u>28.31</u>
Total	<u>\$ 350,769,280</u>	<u>100.00</u>	<u>\$ 376,165,070</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$ 35.83		\$ 35.83	
Permanent improvement	1.50		1.50	

NOTE 7 - 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 2012, the District contracted with the Schools of Ohio Risk Sharing Authority (SORSA) (See Note 2.A) for property, crime, general liability, auto liability/physical damage, and educator's legal liability insurances. 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 2011.

B. OASBO Workers' Compensation Group Rating

For fiscal year 2012, the District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) (See Note 2.A), 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 CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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

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

NOTE 7 - RISK MANAGEMENT - (Continued)

C. Group Health Insurance

The District has joined together with other school districts in the area to form the San-Ott School Employees Welfare Benefit Association (the "Association") (See Note 2.A), 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 9. As such, no funding provisions are required by the District.

NOTE 8 - 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, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained 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, under "Employers/Audit Resources".

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 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$431,150, \$405,665 and \$436,506, respectively; 54.99 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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, under "Publications".

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

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

NOTE 8 - PENSION PLANS - (Continued)

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.

Funding Policy - For fiscal year 2012, 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, 2012, 2011 and 2010 were \$1,155,383, \$1,191,802 and \$1,149,820, respectively; 85.01 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

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

NOTE 9 - 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$78,818, \$115,112 and \$71,883, respectively; 54.99 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, 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, 2012, 2011, and 2010 were \$25,462, \$26,105 and \$25,958, respectively; 54.99 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

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

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

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, under "Publications" 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 2012, 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, 2012, 2011 and 2010 were \$88,876, \$91,677 and \$88,448, respectively; 85.01 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 10 - OTHER EMPLOYEE BENEFITS

Retirement Incentive

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

The retirees are entitled to receive the \$10,000 beginning in January of the calendar year following the year of retirement. The retirement incentive cash disbursements will be paid out of the fund from which the employee was paid.

NOTE 11 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of cash receipts, disbursements and change in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

NOTE 11 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The major differences between the budget basis and the cash basis are that:

- (a) 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 a cash disbursement, as opposed to assigned or committed fund cash balance for that portion of outstanding encumbrances (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Cash Balance

	<u>General fund</u>
Budget basis	\$ (1,456,259)
Net adjustment for cash in segregated accounts	(235)
Funds budgeted elsewhere	(76,909)
Adjustment for encumbrances	172,054
Cash basis	<u>\$ (1,361,349)</u>

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a cash basis. This includes the uniform school supplies fund, rotary fund, public school support fund and termination benefits fund.

NOTE 12 - CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to legal proceedings that would have a material effect, if any, on the financial condition of the District.

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

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

NOTE 13 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	313,509
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying disbursements	-
Excess qualified disbursements from prior years	-
Current year offsets	(604,211)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (290,702)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

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

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

NOTE 14 - CONTRACTUAL COMMITMENTS

The District is currently involved in capital asset projects and acquisitions which resulted in contractual commitments remaining at fiscal year-end. The District had the following contractual commitments outstanding as of June 30, 2012:

<u>Contractor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Balance 6/30/12</u>
O.P Aquatics	Handicapped Pool Entry System	\$ 5,647	\$ -	\$ 5,647
American Athletix	Diving Board Winch System	2,635	-	2,635
National Recreation Systems	Non-Elevated Bleacher System	16,488	-	16,488
Henry W. Bergman, Inc.	Blacktop and Paving Projects	170,425	-	170,425
Adkins Fence	Athletic Facilities Fence Replacement	26,150	-	26,150
K.F. Construction & Excavating	Athletic Facilities Parking Upgrades	44,331	-	44,331
The Courtsmiths	Tennis Court Resurfacing	139,779	-	139,779
Drosco Hardwood	Finish Gymnasium Floors	3,170	-	3,170
JVS Garage Door Company	High School Locker Room Upgrades	2,323	-	2,323
Witt & Gaines	High School Science Lab Utility Work	9,865	-	9,865
Gateway	High School Science Lab Construction	16,262	-	16,262
Total		<u>\$ 437,075</u>	<u>\$ -</u>	<u>\$ 437,075</u>

NOTE 15 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund cash balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 184,360
Permanent improvement	464,199
Nonmajor governmental funds	<u>90,360</u>
Total	<u>\$ 738,919</u>

SUPPLEMENTARY DATA

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(D), (E) School Breakfast Program	10.553	2012	\$ 56,772	\$ 56,772
(C), (D) National School Lunch Program - Food Donation	10.555	2012	41,435	41,435
(D), (E) National School Lunch Program	10.555	2012	218,678	218,678
Total National School Lunch Program			<u>260,113</u>	<u>260,113</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>316,885</u>	<u>316,885</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Grant Cluster:</i>				
(F) Title I Grants to Local Educational Agencies	84.010	2011	67,606	6,449
(F) Title I Grants to Local Educational Agencies	84.010	2012	187,341	177,572
Total Title I Grants to Local Educational Agencies			<u>254,947</u>	<u>184,021</u>
(F) ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	463	463
Total ARRA-Title I Grants to Local Educational Agencies, Recovery Act			<u>463</u>	<u>463</u>
<i>Total Title I Grant Cluster</i>			<u>255,410</u>	<u>184,484</u>
<i>Special Education Grant Cluster:</i>				
(G) Special Education_Grants to States	84.027	2011	-	8,184
(G) Special Education_Grants to States	84.027	2012	415,116	394,423
Total Special Education _Grants to States			<u>415,116</u>	<u>402,607</u>
(G) ARRA-Special Education_Grants to States, Recovery Act	84.391	2011	33,753	21,032
Total ARRA-Special Education _Grants to States			<u>33,753</u>	<u>21,032</u>
(G), (H) Special Education_Preschool Grants	84.173	2012	13,275	13,275
<i>Total Special Education Grant Cluster</i>			<u>462,144</u>	<u>436,914</u>
Education Technology State Grants	84.318	2011	-	21
Education Technology State Grants	84.318	2012	1,220	1,220
Total Education Technology State Grants			<u>1,220</u>	<u>1,241</u>
Improving Teacher Quality State Grants	84.367	2011	955	4,428
Improving Teacher Quality State Grants	84.367	2012	46,137	38,354
Total Improving Teacher Quality State Grants			<u>47,092</u>	<u>42,782</u>
ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	-	8,417
ARRA-Race to the Top, Recovery Act	84.395A	2011	3,958	-
ARRA-Race to the Top, Recovery Act	84.395A	2012	26,318	19,991
Total ARRA-Race to the Top, Recovery Act			<u>30,276</u>	<u>19,991</u>
Education Jobs	84.410	2012	212,654	203,531
Total U.S. Department of Education			<u>1,008,796</u>	<u>897,360</u>
Total Federal Financial Assistance			<u>\$ 1,325,681</u>	<u>\$ 1,214,245</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.
- (H) Passed through the North Point Educational Service Center.



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**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
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 the Benton-Carroll-Salem Local School District, Ottawa County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Benton-Carroll-Salem Local School District's cash basis basic financial statements and have issued our report thereon dated November 21, 2012, which emphasized the Benton-Carroll-Salem Local School District changed its reporting format to the cash basis of accounting, which is an other comprehensive basis of accounting not in accordance with accounting principles generally accepted in the United States of America. 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 Benton-Carroll-Salem Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Benton-Carroll-Salem Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Benton-Carroll-Salem Local School District's internal control over financial reporting.

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

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

Board of Education
Benton-Carroll-Salem Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Benton-Carroll Salem Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2012-BCSLSD-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Benton-Carroll Salem Local School District's management in a separate letter dated November 21, 2012.

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 21, 2012



Julian & Grube, Inc.

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Benton-Carroll-Salem Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of the Benton-Carroll-Salem Local School District's major federal programs for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Benton-Carroll-Salem Local School District's major federal programs. The Benton-Carroll-Salem Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Benton-Carroll-Salem Local School District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

Board of Education
Benton-Carroll-Salem Local School District

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

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

We did note a certain matter not requiring inclusion in this report that we reported to the Benton-Carroll Salem Local School District's management in a separate letter dated November 21, 2012.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 21, 2012

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

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

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grant Cluster: Special Education_Grants to States - CFDA #84.027, ARRA - Special Education_Grants to States, Recovery Act - CFDA #84.391 and Special Education_Preschool Grants - CFDA #84.173; Education Jobs Fund - CFDA #84.410
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

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

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-BCSLSD-001

Noncompliance

Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38. Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP).

The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP).

There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the District being fined or other administrative remedies.

The District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: The decision to prepare cash basis financial statements is a decision the Board of Education believes to be in the best interests of the District. The Board evaluated the cost-benefit relationship of preparing GAAP statements for the fiscal year ended June 30, 2012 and made the decision that the significant dollars saved, outweighed the benefit received.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
2010-001	Allowable and unallowable costs - Noncompliance/Questioned Cost/Material Weakness: 2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section (C)(I)(J) provides that for a cost to be allowable, the expenditure must be adequately documented. In addition, 2 C.F.R. Part 225 Appendix C, Section (A)(I) also provides, in part, that all costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the cost assigned to federal awards. The District had total questioned costs for unallowable purchases of \$33,768 spend of IDEA Part B stimulus money on students without disabilities during 2010.	Yes	The District repaid the Ohio Department of Education \$33,768 on April 20, 2012.
2011-BCSLSD-001	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	Yes	N/A
2011-BCSLSD-002	Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.	Yes	N/A

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Dave Yost • 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
JANUARY 31 2013**