

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014***

**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 43449-1278

We have reviewed the *Independent Auditor's Report* of the Benton-Carroll-Salem Local School District, Ottawa County, prepared by Julian & Grube, Inc., for the audit period July 1, 2013 through June 30, 2014. 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

December 2, 2014

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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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### Independent Auditor's Report

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

To the Board of Education:

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton-Carroll-Salem Local School District, Ottawa County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Benton-Carroll-Salem Local School District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Benton-Carroll-Salem Local School District, Ottawa County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Other Matters***

***Supplemental and Other Information***

We audited to opine on the Benton-Carroll-Salem Local School District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net cash position, change in net cash position, governmental activities, governmental funds and general fund cash receipts and disbursements. This information provides additional analysis and is not a required part of the basic financial statements.

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

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014, 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 and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Benton-Carroll-Salem Local School District's internal control over financial reporting and compliance.





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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014. 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 2014 are as follows:

- In total, net cash position of governmental activities increased \$1,081,889, which represents a 23.54% increase from fiscal year 2013.
- General cash receipts accounted for \$17,597,050 in cash receipts or 85.18% of total cash receipts. Program specific cash receipts in the form of charges for services and sales and grants and contributions accounted for \$3,061,574 in cash receipts or 14.82% of total cash receipts of \$20,658,624.
- The District had \$19,576,735 in cash disbursements related to governmental activities; \$3,061,574 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 \$17,597,050 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$18,380,761 in cash receipts and other financing sources and \$17,126,474 in cash disbursements and other financing uses. During fiscal year 2014, the general fund's fund cash balance increased \$1,254,287 from \$2,685,234 to \$3,939,521.
- The permanent improvement fund had \$565,941 in cash receipts and \$914,289 in cash disbursements. During fiscal year 2014, the permanent improvement fund's fund cash balance decreased \$348,348 from \$1,157,532 to \$809,184.

**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 position – 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 and permanent improvement fund are reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

The statement of net position – cash basis and the statement of activities – cash basis answer the question, “How did the District do financially during fiscal year 2014?” These statements include only net position 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 cash position and changes in net cash position on a cash basis. This change in net cash position 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 position – 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 position – 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 and permanent improvement fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using 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 of 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 position and fund cash balances or changes in net cash position 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, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The District acts in a trustee capacity as an agent for individuals. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position – 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 position at June 30, 2014 and June 30, 2013.

	<b>Net Cash Position</b>	
	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>		
Current assets	\$ 5,677,290	\$ 4,595,401
<b><u>Net Cash Position</u></b>		
Restricted	1,093,103	1,345,609
Unrestricted	<u>4,584,187</u>	<u>3,249,792</u>
Total net cash position	<u>\$ 5,677,290</u>	<u>\$ 4,595,401</u>

Total net cash position of the District increased \$1,081,889, which represents a 23.54% increase from net cash position at June 30, 2013. A portion of the District's net cash position, \$1,093,103, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$4,584,187 may be used to meet the District's ongoing obligations to its students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The table below shows the change in net cash position for fiscal years 2014 and 2013.

	<b>Change in Net Cash Position</b>	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Cash receipts:</u></b>		
Program cash receipts:		
Charges for services and sales	\$ 1,583,202	\$ 1,705,131
Operating grants and contributions	1,478,372	1,309,161
General cash receipts:		
Property taxes	9,035,545	8,808,168
Grants and entitlements	8,484,418	8,513,322
Earnings on investments	19,606	21,481
Miscellaneous	<u>57,481</u>	<u>26,454</u>
Total cash receipts	<u>20,658,624</u>	<u>20,383,717</u>

-Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Change in Net Cash Position  
(Continued)**

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
<b><u>Cash disbursements:</u></b>		
Current:		
Instruction:		
Regular	\$ 8,014,287	\$ 8,321,776
Special	2,186,455	2,229,517
Vocational	8,556	10,364
Adult/continuing	60	236
Other	152,753	136,138
Support services:		
Pupil	1,464,112	779,735
Instructional staff	229,681	968,785
Board of education	79,155	50,551
Administration	1,500,830	1,361,977
Fiscal	420,432	415,021
Operations and maintenance	1,917,039	2,001,389
Pupil transportation	1,183,293	1,098,521
Central	224,009	217,568
Operation of non-instructional services:		
Other non-instructional services	108,852	138,367
Food service operations	650,352	728,125
Extracurricular activities	666,405	654,012
Facilities acquisition and construction	<u>770,464</u>	<u>863,105</u>
Total cash disbursements	<u>19,576,735</u>	<u>19,975,187</u>
Change in net cash position	1,081,889	408,530
Net cash position at beginning of year	<u>4,595,401</u>	<u>4,186,871</u>
Net cash position at end of year	<u>\$ 5,677,290</u>	<u>\$ 4,595,401</u>

**Governmental Activities**

Net cash position of the District's governmental activities increased \$1,081,889. Total governmental cash disbursements of \$19,576,735 were offset by program cash receipts of \$3,061,574 and general cash receipts of \$17,597,050. Program cash receipts supported 15.64% 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 84.81% of total governmental cash receipts.

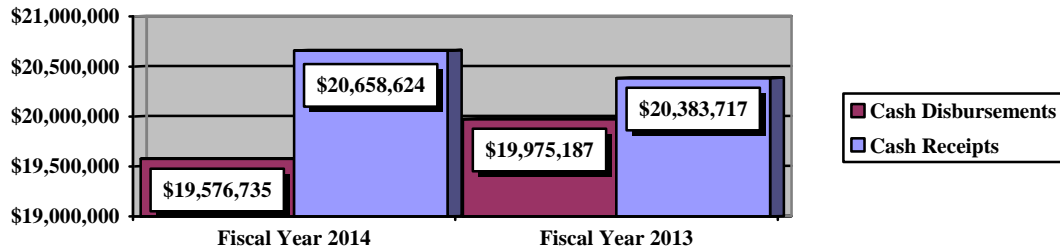
The largest cash disbursement category of the District is for instructional programs. Instruction cash disbursements totaled \$10,362,111 or 52.93% of total governmental cash disbursements for fiscal year 2014. The increase in pupil support services cash disbursements was offset by the decrease in instructional staff support services cash disbursements, resulting in a minimal change in overall cash disbursements in comparison to the prior fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2014 and 2013.

**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 2014 and 2013. That is, it identifies the cost of these services supported by tax receipts, unrestricted State grants and entitlements, and other general cash receipts.

**Governmental Activities**

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
<b>Cash disbursements:</b>				
Instruction:				
Regular	\$ 8,014,287	\$ 7,273,936	\$ 8,321,776	\$ 7,616,297
Special	2,186,455	1,191,725	2,229,517	1,346,311
Vocational	8,556	8,556	10,364	9,489
Adult/continuing	60	(11)	236	41
Other	152,753	152,753	136,138	136,138
Support services:				
Pupil	1,464,112	1,459,891	779,735	753,955
Instructional staff	229,681	172,874	968,785	904,040
Board of education	79,155	79,155	50,551	50,551
Administration	1,500,830	1,403,946	1,361,977	1,286,053
Fiscal	420,432	420,432	415,021	415,021
Operations and maintenance	1,917,039	1,909,671	2,001,389	1,995,949
Pupil transportation	1,183,293	1,114,364	1,098,521	1,044,789
Central	224,009	224,009	217,568	217,568
Operation of non-instructional services:				
Other non-instructional services	108,852	(18,258)	138,367	(20,849)
Food service operations	650,352	(17,397)	728,125	(26,427)
Extracurricular activities	666,405	369,051	654,012	368,864
Facilities acquisition and construction	770,464	770,464	863,105	863,105
<b>Total</b>	<b>\$ 19,576,735</b>	<b>\$ 16,515,161</b>	<b>\$ 19,975,187</b>	<b>\$ 16,960,895</b>

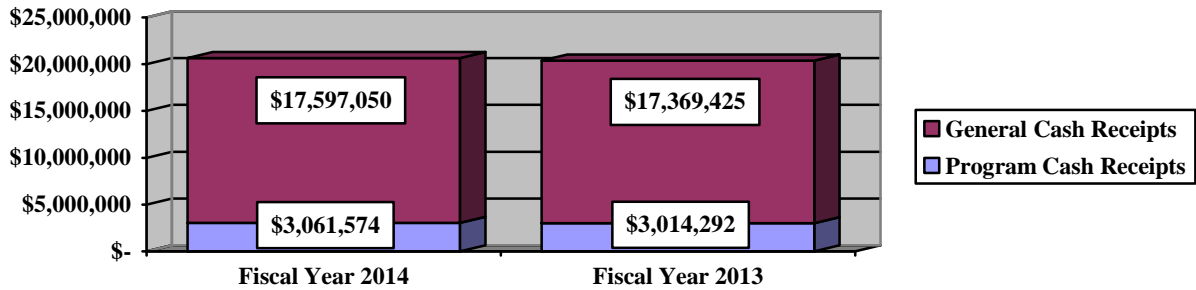
**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The dependence upon taxes and other general cash receipts for governmental activities is apparent, as 83.25% of instructional activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 84.36%. 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 2014 and 2013.

**Governmental Activities - General and Program Cash Receipts**



**The District's Funds**

The District's governmental funds reported a combined fund cash balance of \$5,677,290, which is greater than last year's total fund cash balance of \$4,595,401. The table below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2014 and June 30, 2013.

	Fund Cash Balance <u>June 30, 2014</u>	Fund Cash Balance <u>June 30, 2013</u>	Increase/ (Decrease)	Percentage Change
General	\$ 3,939,521	\$ 2,685,234	\$ 1,254,287	46.71 %
Permanent improvement	809,184	1,157,532	(348,348)	(30.09) %
Nonmajor governmental	<u>928,585</u>	<u>752,635</u>	<u>175,950</u>	23.38 %
Total	<u>\$ 5,677,290</u>	<u>\$ 4,595,401</u>	<u>\$ 1,081,889</u>	23.54 %

**General Fund**

The District's general fund cash balance increased \$1,254,287.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The table that follows assists in illustrating the financial activities and fund cash balance of the general fund for fiscal years 2014 and 2013.

	<u>2014 Amount</u>	<u>2013 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b><u>Cash receipts</u></b>				
Taxes	\$ 8,699,048	\$ 8,478,530	\$ 220,518	2.60 %
Tuition	739,291	773,073	(33,782)	(4.37) %
Earnings on investments	19,606	21,252	(1,646)	(7.75) %
Intergovernmental	8,650,648	8,509,029	141,619	1.66 %
Other receipts	<u>260,168</u>	<u>260,240</u>	<u>(72)</u>	<u>(0.03) %</u>
Total	<u>\$ 18,368,761</u>	<u>\$ 18,042,124</u>	<u>\$ 326,637</u>	<u>1.81 %</u>
<b><u>Cash disbursements</u></b>				
Instruction	\$ 9,568,187	\$ 10,102,732	\$ (534,545)	(5.29) %
Support services	6,625,244	6,664,124	(38,880)	(0.58) %
Non-instructional services	13,264	13,237	27	0.20 %
Extracurricular activities	417,659	412,975	4,684	1.13 %
Facilities acquisition and construction	<u>120</u>	<u>1,119</u>	<u>(999)</u>	<u>(89.28) %</u>
Total	<u>\$ 16,624,474</u>	<u>\$ 17,194,187</u>	<u>\$ (569,713)</u>	<u>(3.31) %</u>

Overall cash receipts of the general fund increased \$326,637 or 1.81% during fiscal year 2014. All cash receipt classifications remained comparable to the prior fiscal year, indicating stability in the District's cash inflows.

Overall cash disbursements of the general fund decreased \$569,713 or 3.31% during fiscal year 2014. Instruction cash disbursements decreased \$534,545 or 5.29% primarily due to the District's continued efforts to reduce personnel costs through staffing reductions and alleviating the cost of operations through the consolidation of the District's elementary schools. All other cash disbursement classifications remained comparable to the prior fiscal year, indicating stability in the District's cash outflows.

***Permanent Improvement Fund***

The permanent improvement fund had \$565,941 in cash receipts and \$914,289 in cash disbursements. During fiscal year 2014, the permanent improvement fund's fund cash balance decreased \$348,348 from \$1,157,532 to \$809,184. This decrease in fund cash balance is due to moderately increasing cash disbursements that continue to outpace cash receipts.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

***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 totaled \$17,857,700, matching exactly to the original budget estimates. The actual budgetary basis receipts and other financing sources of \$18,233,738 were greater than final budget estimates by \$376,038. The final budgetary basis disbursements and other financing uses totaled \$17,543,062, matching exactly to the original budget estimates. The actual budgetary basis disbursements and other financing uses of \$17,286,999 were \$256,063 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 \$770,464 during fiscal year 2014.

***Debt Administration***

The District did not have any long-term obligations outstanding at June 30, 2014 or June 30, 2013.

**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.

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 \$3.4 million carryover balance.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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, OHIO**

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2014

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 5,669,787
Cash in segregated accounts . . . . .	7,503
Total assets. . . . .	\$ 5,677,290
 <b>Net cash position:</b>	
Restricted for:	
Capital projects . . . . .	\$ 647,347
Locally funded programs . . . . .	1,328
State funded programs. . . . .	7,841
Federally funded programs . . . . .	4,146
Student activities . . . . .	67,314
Food service operations. . . . .	363,059
Other purposes . . . . .	2,068
Unrestricted . . . . .	4,584,187
Total net cash position . . . . .	\$ 5,677,290

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 8,014,287	\$ 710,195	\$ 30,156	\$ (7,273,936)
Special . . . . .	2,186,455	152,419	842,311	(1,191,725)
Vocational . . . . .	8,556	-	-	(8,556)
Adult/continuing . . . . .	60	54	17	11
Other . . . . .	152,753	-	-	(152,753)
Support services:				
Pupil . . . . .	1,464,112	3,268	953	(1,459,891)
Instructional staff . . . . .	229,681	-	56,807	(172,874)
Board of education . . . . .	79,155	-	-	(79,155)
Administration . . . . .	1,500,830	15,088	81,796	(1,403,946)
Fiscal . . . . .	420,432	-	-	(420,432)
Operations and maintenance . . . . .	1,917,039	7,368	-	(1,909,671)
Pupil transportation . . . . .	1,183,293	-	68,929	(1,114,364)
Central . . . . .	224,009	-	-	(224,009)
Operation of non-instructional services:				
Other non-instructional services . . . . .	108,852	69,852	57,258	18,258
Food service operations . . . . .	650,352	360,098	307,651	17,397
Extracurricular activities . . . . .	666,405	264,860	32,494	(369,051)
Facilities acquisition and construction . . . . .	770,464	-	-	(770,464)
<b>Total governmental activities . . . . .</b>	<b>\$ 19,576,735</b>	<b>\$ 1,583,202</b>	<b>\$ 1,478,372</b>	<b>(16,515,161)</b>

<b>General cash receipts:</b>	
Property taxes levied for:	
General purposes . . . . .	8,699,048
Capital projects . . . . .	336,497
Grants and entitlements not restricted to specific programs . . . . .	8,484,418
Earnings on investments . . . . .	19,606
Miscellaneous . . . . .	57,481
<b>Total general cash receipts . . . . .</b>	<b>17,597,050</b>
Change in net cash position . . . . .	1,081,889
<b>Net cash position at beginning of year . . . . .</b>	<b>4,595,401</b>
<b>Net cash position at end of year . . . . .</b>	<b>\$ 5,677,290</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 3,932,018	\$ 809,184	\$ 928,585	\$ 5,669,787
Cash in segregated accounts . . . . .	7,503	-	-	7,503
Total assets . . . . .	<u>\$ 3,939,521</u>	<u>\$ 809,184</u>	<u>\$ 928,585</u>	<u>\$ 5,677,290</u>
<b>Fund cash balances:</b>				
Restricted:				
Capital improvements . . . . .	\$ -	\$ 647,347	\$ -	\$ 647,347
Food service operations . . . . .	-	-	363,059	363,059
Non-public schools . . . . .	-	-	7,756	7,756
Community education . . . . .	-	-	2,068	2,068
Targeted academic assistance . . . . .	-	-	4,146	4,146
Extracurricular . . . . .	-	-	67,314	67,314
Other purposes. . . . .	-	-	1,413	1,413
Committed:				
Capital improvements . . . . .	-	161,837	521,800	683,637
Termination benefits. . . . .	375,901	-	-	375,901
Assigned:				
Student instruction . . . . .	24,919	-	-	24,919
Student and staff support. . . . .	135,593	-	-	135,593
School supplies . . . . .	4,934	-	-	4,934
Other purposes. . . . .	70,811	-	-	70,811
Unassigned (deficit) . . . . .	3,327,363	-	(38,971)	3,288,392
Total fund cash balances. . . . .	<u>\$ 3,939,521</u>	<u>\$ 809,184</u>	<u>\$ 928,585</u>	<u>\$ 5,677,290</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 8,699,048	\$ 336,497	\$ -	\$ 9,035,545
Tuition . . . . .	739,291	-	-	739,291
Earnings on investments . . . . .	19,606	-	326	19,932
Charges for services . . . . .	-	-	401,717	401,717
Extracurricular . . . . .	129,410	-	224,197	353,607
Classroom materials and fees . . . . .	78,671	-	422	79,093
Rental income . . . . .	7,368	-	2,126	9,494
Contributions and donations . . . . .	6,516	-	44,143	50,659
Other local receipts . . . . .	38,203	12,762	2,291	53,256
Intergovernmental - intermediate . . . . .	-	-	2,935	2,935
Intergovernmental - state . . . . .	8,574,131	216,682	46,475	8,837,288
Intergovernmental - federal . . . . .	76,517	-	999,290	1,075,807
Total cash receipts . . . . .	<u>18,368,761</u>	<u>565,941</u>	<u>1,723,922</u>	<u>20,658,624</u>
<b>Cash disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	7,760,232	230,885	23,170	8,014,287
Special . . . . .	1,646,646	-	539,809	2,186,455
Vocational . . . . .	8,556	-	-	8,556
Adult/continuing . . . . .	-	-	60	60
Other . . . . .	152,753	-	-	152,753
Support services:				
Pupil . . . . .	1,463,169	-	943	1,464,112
Instructional staff . . . . .	167,252	-	62,429	229,681
Board of education . . . . .	79,155	-	-	79,155
Administration . . . . .	1,418,523	-	82,307	1,500,830
Fiscal . . . . .	413,771	6,661	-	420,432
Operations and maintenance . . . . .	1,896,382	20,657	-	1,917,039
Pupil transportation . . . . .	991,637	180,298	11,358	1,183,293
Central . . . . .	195,355	28,654	-	224,009
Operation of non-instructional services:				
Other non-instructional services . . . . .	13,264	-	95,588	108,852
Food service operations . . . . .	-	-	650,352	650,352
Extracurricular activities . . . . .	417,659	-	248,746	666,405
Facilities acquisition and construction . . . . .	120	447,134	323,210	770,464
Total cash disbursements . . . . .	<u>16,624,474</u>	<u>914,289</u>	<u>2,037,972</u>	<u>19,576,735</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	<u>1,744,287</u>	<u>(348,348)</u>	<u>(314,050)</u>	<u>1,081,889</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	500,000	500,000
Transfers (out) . . . . .	(500,000)	-	-	(500,000)
Advances in . . . . .	12,000	-	2,000	14,000
Advances (out) . . . . .	(2,000)	-	(12,000)	(14,000)
Total other financing sources (uses) . . . . .	<u>(490,000)</u>	<u>-</u>	<u>490,000</u>	<u>-</u>
Net change in fund cash balances . . . . .	1,254,287	(348,348)	175,950	1,081,889
<b>Fund cash balances at beginning of year . . . . .</b>	<u>2,685,234</u>	<u>1,157,532</u>	<u>752,635</u>	<u>4,595,401</u>
<b>Fund cash balances at end of year . . . . .</b>	<u>\$ 3,939,521</u>	<u>\$ 809,184</u>	<u>\$ 928,585</u>	<u>\$ 5,677,290</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary basis receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 8,250,000	\$ 8,250,000	\$ 8,699,048	\$ 449,048
Tuition . . . . .	806,000	806,000	739,291	(66,709)
Earnings on investments . . . . .	25,000	25,000	19,606	(5,394)
Extracurricular . . . . .	37,000	37,000	34,600	(2,400)
Rental income . . . . .	4,500	4,500	5,188	688
Other local receipts . . . . .	15,200	15,200	20,784	5,584
Intergovernmental - state . . . . .	8,590,000	8,590,000	8,574,131	(15,869)
Intergovernmental - federal . . . . .	40,000	40,000	76,517	36,517
Total budgetary basis receipts . . . . .	<u>17,767,700</u>	<u>17,767,700</u>	<u>18,169,165</u>	<u>401,465</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	7,842,805	7,842,805	7,518,320	324,485
Special . . . . .	1,829,462	1,829,462	1,652,797	176,665
Vocational . . . . .	10,689	10,689	8,556	2,133
Other . . . . .	136,138	136,138	152,753	(16,615)
Support services:				
Pupil . . . . .	1,471,193	1,471,193	1,440,006	31,187
Instructional staff . . . . .	163,030	163,030	167,252	(4,222)
Board of education . . . . .	112,174	112,174	85,830	26,344
Administration . . . . .	1,444,833	1,444,833	1,406,144	38,689
Fiscal . . . . .	429,280	429,280	413,863	15,417
Operations and maintenance . . . . .	2,200,864	2,200,864	1,972,532	228,332
Pupil transportation . . . . .	1,112,206	1,112,206	994,402	117,804
Central . . . . .	224,358	224,358	213,355	11,003
Extracurricular activities . . . . .	414,911	414,911	409,069	5,842
Facilities acquisition and construction . . . . .	1,119	1,119	120	999
Total budgetary basis disbursements . . . . .	<u>17,393,062</u>	<u>17,393,062</u>	<u>16,434,999</u>	<u>958,063</u>
Excess of budgetary basis receipts over budgetary basis disbursements . . . . .	<u>374,638</u>	<u>374,638</u>	<u>1,734,166</u>	<u>1,359,528</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	50,000	50,000	37,447	(12,553)
Transfers (out) . . . . .	(150,000)	(150,000)	(850,000)	(700,000)
Advances in . . . . .	-	-	12,000	12,000
Advances (out) . . . . .	-	-	(2,000)	(2,000)
Sale of assets . . . . .	40,000	40,000	15,126	(24,874)
Total other financing sources (uses) . . . . .	<u>(60,000)</u>	<u>(60,000)</u>	<u>(787,427)</u>	<u>(727,427)</u>
Net change in fund cash balance . . . . .	314,638	314,638	946,739	632,101
<b>Fund cash balance at beginning of year . . . . .</b>	<b>1,851,371</b>	<b>1,851,371</b>	<b>1,851,371</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>521,750</b>	<b>521,750</b>	<b>521,750</b>	<b>-</b>
<b>Fund cash balance at end of year . . . . .</b>	<b><u>\$ 2,687,759</u></b>	<b><u>\$ 2,687,759</u></b>	<b><u>\$ 3,319,860</u></b>	<b><u>\$ 632,101</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
JUNE 30, 2014

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 86,449
Total assets. . . . .	<u>\$ 86,449</u>
<b>Net cash position:</b>	
Held for student activities. . . . .	\$ 86,449
Total net cash position . . . . .	<u>\$ 86,449</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, 2014**

**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 Villages 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 three instructional buildings, one administrative building, and one bus garage. The District is staffed by 91 non-certified employees and 105 certified full-time teaching personnel and administrators who provide services to 1,688 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" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. 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 government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 fees-per-student charged to participating school districts. Financial information is available from Matthew Bauer, Treasurer for the North Point Educational Service Center, who serves as fiscal agent, at 1210 E. Bogart Road, 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 of the seven counties, the Superintendent of the fiscal agent, and two non-voting members (administrator and fiscal agent). Members of the BACG serve two-year terms. Financial information is available from Matthew Bauer, Treasurer for the North Point Educational Service Center, who serves as fiscal agent, at 1210 E. Bogart Road, Sandusky, Ohio 44870.

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (the "Council") 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, 2014

**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 Insurance Consortium (the "Consortium")

The District participates in a shared risk pool, with participants from Sandusky and Ottawa counties. The Consortium 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 Consortium, J. William Nye, Treasurer, 2810 N. Genoa-Clay Center Rd., Genoa, Ohio 43430.

Jefferson Health Plan

Effective August 1, 2013, the Consortium participates in the Jefferson Health Plan (the "Health Plan"), a claims servicing pool organized under Ohio Revised Code Chapter 167, for the purpose of establishing and carrying out a cooperative program to administer insurance benefits for employees of the participating entities and their eligible dependents. The Health Plan contracts with third-party administrators to process and pay claims incurred by its members.

The Health Plan also purchases stop-loss coverage for claims in excess of a set amount for individual claims and in the pool's aggregate.

Each member of the Health Plan is obligated to pay a fee based on an estimate of the member's share of the Health Plan costs for the fiscal year. Included in this estimate are claims by eligible employees, which are payable by each member, the member's share of the various insurance premiums, and their proportionate share of the administrative costs of the Health Plan. The actual balance of each member's account is determined on a monthly basis. Each member is required to meet or exceed the claims that have been incurred but not reported and to maintain adequate reserves or current funding to meet or exceed their claims fluctuation reserve requirements. If a member is in a deficit position, the participating member has two fiscal years to make up a negative reserve amount or an insufficient incurred but not reported and three fiscal years to make up insufficient claims fluctuation reserves.

Members may withdraw from the Health Plan with as much notice as is possible for the termination, allowing the Health Plan time to determine any withdrawal balance owed to or by the departing employer. Any outstanding reserve balances are held by the Health Plan for a maximum period of six months to satisfy the payment of claims incurred before termination. The terminating member has the option to pay all of the claims incurred prior to the termination for membership, so that any reserves could be released sooner. Employers found to be in a deficit position wishing to leave the Health Plan will be required to repay the deficit in full within ninety days of the effective withdrawal date. Additionally, such terminating member will be required to pay any claims incurred prior to termination notification.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Schools of Ohio Risk Sharing Authority

The District also participates in the Schools of Ohio Risk Sharing Authority (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 various districts' 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 resources 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 or committed to disbursements for the acquisition or construction of capital facilities and other capital assets.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific receipt sources that are restricted or committed to a disbursement 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net cash position and changes in net cash position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for cash 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 and do not involve measurement of results of operations. The District does not have any trust funds. The District has agency funds that account for student activities and Ohio High School Athletic Association (OHSAA) events.

**C. Basis of Presentation**

*Government-wide Financial Statements* - The statement of net position 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 position associated with the operation of the District are included on the statement of net position.

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

**D. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 government-wide statements and disbursements reported in the budgetary statements is due to current year encumbrances being added to disbursements reported in the budgetary statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

**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 comparison 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 statement reflect the amounts in the final amended certificate of estimated resources issued during the fiscal year.

Appropriations:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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 fiscal 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 appropriations for that fund covering the entire fiscal year, including amounts automatically carried over from the prior fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board.

**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 2014, investments were limited to nonnegotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). In accordance with the cash basis of accounting, all District investments are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2014. 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, 2014.

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 2014 amounted to \$19,606, which includes \$6,963 assigned from other District funds.

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

An analysis of the District's investment account at fiscal 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**H. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as cash disbursements when paid. These items are not reflected as assets in the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

**I. Interfund Balances**

On the 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 statement of activities.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave. Employees are entitled to cash payments for unused vacation leave and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave 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 cash 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 postemployment healthcare.

**L. Long-Term Obligations**

Long-term obligations are not recognized as liabilities 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, 2014, the District does not have any long-term obligations related to debt agreements or capital lease obligations.

**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. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

*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.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

**N. Net Cash Position**

Net cash position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District did not have any net cash position restricted by enabling legislation at June 30, 2014. Net cash position restricted for other purposes includes amounts restricted for community education.

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

**O. Restricted Cash Assets**

Cash assets are reported as restricted when limitations on their use change the normal understanding of the availability of the cash assets. 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 cash assets at June 30, 2014.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**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. Interfund transfers between governmental funds are eliminated in the statement of activities.

**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 2014.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 67, "Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25", and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 67 improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**B. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position/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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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, or legal governments;
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;
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.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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 fiscal 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 fiscal year end, the District had \$7,503 on deposit with Croghan Colonial Bank, which is included on the financial statements of the District as part of "cash in segregated accounts". This amount is included in the total amount of "Deposits with Financial Institutions" below.

**C. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$5,748,170. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$1,750,518 of the District's bank balance of \$6,047,661 was covered by the FDIC, while \$4,297,143 was exposed to custodial credit 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**D. Investments**

As of June 30, 2014, the District had the following investment and maturity:

Investment	Carrying Value	Maturity 6 months or less
STAR Ohio	\$ 10,019	\$ 10,019

*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 states 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 date 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 investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of 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, 2014:

Investment type	Carrying Value	% to Total
STAR Ohio	\$ 10,019	100.00

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**E. Reconciliation of Cash and Investments to the Statement of Net Position**

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 position as of June 30, 2014:

Cash and investments per note disclosure

Carrying amount of deposits	\$ 5,748,170
Investments	10,019
Cash on hand	<u>5,550</u>
Total	<u>\$ 5,763,739</u>

Cash and investments per statement of net position

Governmental activities	\$ 5,677,290
Agency funds	<u>86,449</u>
Total	<u>\$ 5,763,739</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund advances during fiscal year 2014 consisted of the following, as reported on the fund financial statements:

Advances from general fund to:	<u>Amount</u>
Nonmajor governmental fund	\$ 2,000
Advances from nonmajor governmental fund to:	
General fund	<u>12,000</u>
Total	<u>\$ 14,000</u>

The advances into the general fund represent the repayment of advances initiated during fiscal year 2013. The advances out of the general fund represent advances that were initiated during fiscal year 2014 and are expected to be repaid within the subsequent fiscal year.

The primary purpose of interfund advances is to cover costs in specific funds where expected funds were not received by June 30. New interfund 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; therefore, no advances are reported in the statement of activities.

- B.** Interfund transfers during fiscal year 2014 consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	<u>Amount</u>
Nonmajor governmental fund	<u>\$ 500,000</u>

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

**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 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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, 2014, are available to finance fiscal year 2014 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.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 258,084,260	72.91	\$ 261,671,770	71.02
Public utility personal	<u>95,873,800</u>	<u>27.09</u>	<u>106,752,400</u>	<u>28.98</u>
Total	<u>\$ 353,958,060</u>	<u>100.00</u>	<u>\$ 368,424,170</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$ 32.63		\$ 32.63	
Permanent improvement	1.50		1.50	

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 2014, 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 2013.

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

For fiscal year 2014, 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.

**C. Group Health Insurance**

The District has joined together with other school districts in the area to form the San-Ott Insurance Consortium (the "Consortium"), 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 Consortium based upon the benefits structure selected.

Effective August 1, 2013, the Consortium joined the Jefferson Health Plan (the "Health Plan") (See Note 2.A.), whose purpose is to provide health coverage and other insurance benefits to and for the eligible employees of Health Plan members and their dependents. The District pays premiums to the Health Plan based upon the benefits structure selected. The District's agreement with the Health Plan provides that the Health Plan will be self-sustaining through member premiums and will reinsure through the Health Plan for specific claims in excess of \$150,000.

Postemployment healthcare is provided to Health Plan participants or their beneficiaries through the respective retirement systems discussed in Note 9. As such, no funding provisions are required by the District.



**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 District Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "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 2014, 13.05 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 14 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, 2014, 2013 and 2012 were \$331,738, \$346,588 and \$431,150, respectively; 86.70 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 8 - PENSION PLANS - (Continued)**

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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$986,727, \$1,036,825 and \$1,155,383, respectively; 83.89 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$34,188 made by the District and \$26,862 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 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](http://www.ohsers.org), under "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$47,319, \$53,860 and \$78,818, respectively; 86.70 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$19,246, \$19,578 and \$25,462, respectively; 86.70 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), 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 2014, 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, 2014, 2013 and 2012 were \$75,902, \$79,756 and \$88,876, respectively; 83.89 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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.

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, committed, or restricted 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:

<b>Net Change in Fund Cash Balance</b>	
	<u>General fund</u>
Budget basis	\$ 946,739
Net adjustment for cash in segregated accounts	6,897
Funds budgeted elsewhere	157,404
Adjustment for encumbrances	<u>143,247</u>
Cash basis	<u>\$ 1,254,287</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 11 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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 District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

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

**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 other applicable 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, 2013	\$ -
Current year set-aside requirement	288,695
Current year offsets	<u>(1,053,179)</u>
Total	<u>\$ (764,484)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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, 2014:

<u>Contractor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Balance June 30, 2014</u>
Drosco Hardwood	Gym Floor Maintenance	\$ 3,500	\$ -	\$ 3,500
Supreme Cleaning	Carpet Cleaning	5,000	-	5,000
Torrence Sound Equipment	Security and Camera Upgrades	103,889	-	103,889
Roberts Concrete Leveling	Concrete Leveling	7,010	-	7,010
J.B. & Company, Inc.	Roof Repairs	22,540	-	22,540
Trisco Systems, Inc.	Middle School Building Repairs	5,068	-	5,068
Maintenance Systems of Northern Ohio, Inc.	Asphalt Maintenance and Repairs	29,803	-	29,803
Henry W. Bergman, Inc.	Asphalt Refilling and Patching	<u>11,935</u>	<u>-</u>	<u>11,935</u>
Total		<u>\$ 188,745</u>	<u>\$ -</u>	<u>\$ 188,745</u>

**NOTE 15 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year End Encumbrances</u>
General	\$ 164,631
Permanent improvement	380,227
Nonmajor governmental funds	<u>40,898</u>
Total	<u>\$ 585,756</u>

## **SUPPLEMENTARY DATA**

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<i>Child Nutrition Cluster:</i>				
(D),(E) School Breakfast Program	10.553	2014	\$ 56,591	\$ 56,591
(C),(D) National School Lunch Program - Food Donation	10.555	2014	41,461	41,461
(D),(E) National School Lunch Program	10.555	2014	244,886	244,886
<b>Total National School Lunch Program</b>			<u>286,347</u>	<u>286,347</u>
<b>Total U.S. Department of Agriculture and Child Nutrition Cluster</b>			<u>342,938</u>	<u>342,938</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
Title I Grants to Local Educational Agencies	84.010	2013	44,795	44,347
Title I Grants to Local Educational Agencies	84.010	2014	166,057	195,013
<b>Total Title I Grants to Local Educational Agencies</b>			<u>210,852</u>	<u>239,360</u>
<i>Special Education Grant Cluster:</i>				
(F) Special Education_Grants to States	84.027	2013	22	22
(F) Special Education_Grants to States	84.027	2014	403,885	399,738
<b>Total Special Education _Grants to States</b>			<u>403,907</u>	<u>399,760</u>
(F),(G) Special Education_Preschool Grants	84.173	2014	13,130	13,130
<b>Total Special Education Grant Cluster</b>			<u>417,037</u>	<u>412,890</u>
Improving Teacher Quality State Grants	84.367	2013	1,173	404
Improving Teacher Quality State Grants	84.367	2014	32,193	39,715
<b>Total Improving Teacher Quality State Grants</b>			<u>33,366</u>	<u>40,119</u>
ARRA-Race to the Top, Recovery Act	84.395A	2013	11,089	349
ARRA-Race to the Top, Recovery Act	84.395A	2014	25,471	27,961
<b>Total ARRA-Race to the Top, Recovery Act</b>			<u>36,560</u>	<u>28,310</u>
<b>Total U.S. Department of Education</b>			<u>697,815</u>	<u>720,679</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,040,753</u>	<u>\$ 1,063,617</u>

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

- (A) OAKS did not assign pass through numbers for fiscal year 2014.
- (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 "Special Education Grant Cluster" in determining major programs.
- (G) Passed through the North Point Educational Service Center.





**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton-Carroll-Salem Local School District, Ottawa County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Benton-Carroll-Salem Local School District's basic financial statements and have issued our report thereon dated October 24, 2014, wherein we noted the Benton-Carroll-Salem Local School District uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

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

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

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

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 misstatements, we tested it compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our auditing and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2014-001.

***Benton-Carroll-Salem Local School District's Response to Findings***

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.

***Purpose of this Report***

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



Julian & Grube, Inc.  
October 24, 2014



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

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

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

To the Board of Education

#### ***Report on Compliance for The Major Federal Program***

We have audited Benton-Carroll-Salem Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Benton-Carroll-Salem Local School District's major federal program for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings and responses identifies Benton-Carroll-Salem Local School District's major federal program.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

We believe our audit provides a reasonable basis for our compliance opinion on the Benton-Carroll-Salem Local School District's major program. However, our audit does not provide a legal determination of Benton-Carroll-Salem Local School District's compliance.

Board of Education  
Benton-Carroll-Salem Local School District

***Opinion on The Major Federal Program***

In our opinion, Benton-Carroll-Salem Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2014.

***Report on Internal Control Over Compliance***

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

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

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

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



Julian & Grube, Inc.  
October 24, 2014

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

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<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>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Child Nutrition Grant Cluster: School Breakfast Program - CFDA #10.553; National School Lunch Program - CFDA #10.555
<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>	Yes

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

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2014-001

**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, 2014 and made the decision that the significant dollars saved, outweighed the benefit received.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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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, 2014**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid</b>
2013-BCSLSD-001	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 Auditing Standards Board Statement 34, <i>Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments</i> . This presentation differs from (GAAP).	No	Finding repeated as 2014-001

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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  
DECEMBER 16, 2014**