



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

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

Table of Contents

Title	Page
Report of Independent Accountants.....	1
Combined Balance Sheet - All Fund Types and Account Groups.....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.....	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types.....	9
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Proprietary Fund Type.....	12
Combined Statement of Cash Flows - All Proprietary Fund Types.....	13
Notes to the General-Purpose Financial Statements.....	15
Schedule of Federal Assistance Awards Expenditures.....	40
Notes to the Schedule of Federal Assistance Awards Expenditures.....	44
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	45
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	47
Schedule of Findings.....	49

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REPORT OF INDEPENDENT ACCOUNTANTS

Benton-Carroll-Salem Local School District
Ottawa County
11685 West State Route 163
Oak Harbor, Ohio 43449-1298

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Benton-Carroll-Salem Local School District (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Benton-Carroll-Salem Local School District, Ottawa County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for 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 not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

December 20, 2002

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

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$5,516,064	\$210,725	\$1,841,361
Cash and Cash Equivalents:			
With Fiscal Agents		1,736	
Receivables:			
Taxes	6,978,498		217,562
Accounts	1,110		
Accrued Interest	50,828		
Due From Other Governments		34,534	
Materials and Supplies Inventory	42,478		
Prepaid Items	55,089		
Property, Plant and Equipment (Net of Accumulated Depreciation where Applicable)			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	170,855		
Other Debits:			
Amount to be Provided for Retirement of General Long-Term Obligations			
Total Assets and Other Debits	<u>\$12,814,922</u>	<u>\$246,995</u>	<u>\$2,058,923</u>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$207,845	\$72,410			\$7,848,405
				1,736
				7,196,060
				1,110
				50,828
				34,534
28,214				70,692
				55,089
170,443		\$28,147,002		28,317,445
				170,855
			\$1,776,670	1,776,670
\$406,502	\$72,410	\$28,147,002	\$1,776,670	\$45,523,424

(Continued)

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

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002
(Continued)**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	\$44,152	\$1,397	\$2,000
Accrued Wages and Benefits	1,211,972	1,919	
Compensated Absences Payable	24,611		
Retirement Incentive Payable			
Pension Obligation Payable	269,867	1,013	
Due to Other Governments	40,955	369	
Deferred Revenue	6,523,942	16,928	206,742
Due to Students			
Undistributed Monies			
Total Liabilities	8,115,499	21,626	208,742
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Contributed Capital			
Retained Earnings:			
Unreserved			
Fund Balances:			
Reserved for Encumbrances	261,170	59,805	320,406
Reserved for Supplies Inventory	42,478		
Reserved for Prepaid Items	55,089		
Reserved for Budget Stabilization	95,107		
Reserved for Textbooks	75,748		
Reserved for Property Taxes	482,390		10,820
Unreserved, Undesignated	3,687,441	165,564	1,518,955
Total Fund Equity and Other Credits	4,699,423	225,369	1,850,181
Total Liabilities, Fund Equity and Other Credits	\$12,814,922	\$246,995	\$2,058,923

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
				\$47,781
\$232				1,224,933
11,042				1,693,624
84,703			\$1,584,310	85,000
			85,000	409,960
31,720			107,360	42,539
1,215				6,767,593
19,981				71,233
	\$71,233			1,177
	1,177			
148,893	72,410		1,776,670	10,343,840
		\$28,147,002		28,147,002
115,842				115,842
141,767				141,767
				641,381
				42,478
				55,089
				95,107
				75,748
				493,210
				5,371,960
257,609		28,147,002		35,179,584
\$406,502	\$72,410	\$28,147,002	\$1,776,670	\$45,523,424

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

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended June 30, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum) Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Revenues:				
Property and Other Local Taxes	\$11,206,855		\$356,686	\$11,563,541
Tuition	106,908			106,908
Earnings on Investments	332,418	\$23	19,185	351,626
Other Local Revenues	22,464	63,116		85,580
Extracurricular Activities		206,537		206,537
Intergovernmental - State	4,971,644	149,894	135,265	5,256,803
Intergovernmental - Federal	27,206	396,935	8,500	432,641
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	16,667,495	816,505	519,636	18,003,636
Expenditures:				
Instruction:				
Regular	7,637,444	136,293	28,845	7,802,582
Special	1,384,497	120,554		1,505,051
Vocational	99,470	5,985		105,455
Other	48,504	2,046		50,550
Support services:				
Pupils	807,824	10,718		818,542
Instructional Staff	773,216	116,181		889,397
Board of Education	92,944			92,944
Administration	1,240,042	126,151		1,366,193
Fiscal	433,879		6,562	440,441
Operation and Maintenance of Plant	1,923,257		5,870	1,929,127
Pupil Transportation	776,562		87,845	864,407
Central	84,619	14,653	8,500	107,772
Community Services		36,593		36,593
Extracurricular Activities	330,514	187,778		518,292
Facilities Services	120		201,889	202,009
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	15,632,892	756,952	339,511	16,729,355
Excess of Revenues Over (Under) Expenditures	<hr/>	<hr/>	<hr/>	<hr/>
	1,034,603	59,553	180,125	1,274,281
Other Financing Sources and Uses				
Operating Transfers In		6,000		6,000
Operating Transfers Out	(91,000)			(91,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(91,000)	6,000		(85,000)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<hr/>	<hr/>	<hr/>	<hr/>
	943,603	65,553	180,125	1,189,281
Fund Balance at Beginning of Year	3,788,025	159,816	1,670,056	5,617,897
Increase in reserve for inventory	(32,205)			(32,205)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance at End of Year	<u>\$4,699,423</u>	<u>\$225,369</u>	<u>\$1,850,181</u>	<u>\$6,774,973</u>

The notes to the general-purpose financial statements are an integral part of this statement.

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

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Year Ended June 30, 2002**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Property and Other Local Taxes	\$12,019,826	\$11,389,731	(\$630,095)
Tuition	112,510	106,908	(5,602)
Interest	420,363	399,431	(20,932)
Other Local Revenues Extracurricular	21,245	21,399	154
Intergovernmental - State	5,200,218	4,971,644	(228,574)
Intergovernmental - Federal	28,632	27,206	(1,426)
Total Revenues	<u>17,802,794</u>	<u>16,916,319</u>	<u>(886,475)</u>
Expenditures:			
Current:			
Instruction:			
Regular	7,670,742	7,651,857	18,885
Special	1,395,427	1,390,974	4,453
Vocational	141,815	136,644	5,171
Other	51,994	49,196	2,798
Support services:			
Pupils	807,848	807,517	331
Instructional Staff	824,203	812,542	11,661
Board of Education	107,477	106,653	824
Administration	1,288,404	1,270,025	18,379
Fiscal	442,658	440,401	2,257
Operation and Maintenance of Plant	2,175,013	2,089,169	85,844
Pupil Transportation	882,846	826,813	56,033
Central	86,001	86,074	(73)
Community Services			
Extracurricular activities	330,247	330,267	(20)
Facilities Acquisition & Construction	120	120	
Total Expenditures	<u>16,204,795</u>	<u>15,998,252</u>	<u>206,543</u>
Excess of Revenues Over (Under) Expenditures	<u>1,597,999</u>	<u>918,067</u>	<u>(679,932)</u>
Other Financing Sources and Uses			
Refund of Prior Year Expenditures	1,915	1,820	(95)
Refund of Prior Year Receipts			
Operating Transfers In			
Operating Transfers Out	(90,753)	(91,000)	(247)
Advances In	73,710	70,040	(3,670)
Advances Out			
Total Other Financing Sources (Uses)	<u>(15,128)</u>	<u>(19,140)</u>	<u>(4,012)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,582,871	898,927	(683,944)
Fund Balances at Beginning of Year	4,232,408	4,232,408	
Prior Year Encumbrances Appropriated	249,909	249,909	
Fund Balance at End of Year	<u>\$6,065,188</u>	<u>\$5,381,244</u>	<u>(\$683,944)</u>

(Continued)

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

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Year Ended June 30, 2002**

	<u>Special Revenue</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
Revenues:			
Property and Other Local Taxes			
Tuition			
Interest	\$29	\$24	(\$5)
Other Local Revenues	76,171	63,137	(13,034)
Extracurricular	249,172	206,536	(42,636)
Intergovernmental - State	159,122	131,894	(27,228)
Intergovernmental - Federal	478,425	396,561	(81,864)
Total Revenues	<u>962,919</u>	<u>798,152</u>	<u>(164,767)</u>
Expenditures:			
Current:			
Instruction:			
Regular	193,544	170,765	22,779
Special	174,049	138,403	35,646
Vocational	6,002	5,985	17
Other	2,052	2,046	6
Support services:			
Pupils	10,397	8,459	1,938
Instructional Staff	108,995	107,699	1,296
Board of Education			
Administration	141,069	132,954	8,115
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central	14,838	14,795	43
Community Services	56,446	41,409	15,037
Extracurricular activities	234,882	202,643	32,239
Facilities Services			
Total Expenditures	<u>942,274</u>	<u>825,158</u>	<u>117,116</u>
Excess of Revenues Over (Under) Expenditures	<u>20,645</u>	<u>(27,006)</u>	<u>(47,651)</u>
Other Financing Sources and Uses			
Refund of Prior Year Expenditures	3,619	3,000	(619)
Refund of Prior Year Receipts	(1,009)	(1,006)	3
Operating Transfers In	7,239	6,000	(1,239)
Operating Transfers Out			
Advances In			
Advances Out	(70,244)	(70,040)	204
Total Other Financing Sources (Uses)	<u>(60,395)</u>	<u>(62,046)</u>	<u>(1,651)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(39,750)	(89,052)	(49,302)
Fund Balances at Beginning of Year	123,861	123,861	
Prior Year Encumbrances Appropriated	114,714	114,714	
Fund Balance at End of Year	<u>\$198,825</u>	<u>\$149,523</u>	<u>(\$49,302)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Capital Projects			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$555,995	\$361,201	(\$194,794)	\$12,575,821	\$11,750,932	(\$824,889)
21,986	19,185	(2,801)	112,510	106,908	(5,602)
12,963	135,265	122,302	442,378	418,640	(23,738)
590,944	515,651	(75,293)	97,416	84,536	(12,880)
			249,172	206,536	(42,636)
			5,372,303	5,238,803	(133,500)
			507,057	423,767	(83,290)
			19,356,657	18,230,122	(1,126,535)
800,000	59,045	740,955	8,664,286	7,881,667	782,619
			1,569,476	1,529,377	40,099
			147,817	142,629	5,188
			54,046	51,242	2,804
			818,245	815,976	2,269
			933,198	920,241	12,957
			107,477	106,653	824
			1,429,473	1,402,979	26,494
	6,562	(6,562)	442,658	446,963	(4,305)
	90,155	(90,155)	2,175,013	2,179,324	(4,311)
87,845	87,845	0	970,691	914,658	56,033
8,500	8,500		109,339	109,369	(30)
			56,446	41,409	15,037
			565,129	532,910	32,219
127,291	411,442	(284,151)	127,411	411,562	(284,151)
1,023,636	663,549	360,087	18,170,705	17,486,959	683,746
(432,692)	(147,898)	284,794	1,185,952	743,163	(442,789)
			5,534	4,820	(714)
			(1,009)	(1,006)	3
			7,239	6,000	(1,239)
			(90,753)	(91,000)	(247)
			73,710	70,040	(3,670)
			(70,244)	(70,040)	204
			(75,523)	(81,186)	(5,663)
(432,692)	(147,898)	284,794	1,110,429	661,977	(448,452)
1,451,717	1,451,717		5,807,986	5,807,986	
215,136	215,136		579,759	579,759	
\$1,234,161	\$1,518,955	\$284,794	\$7,498,174	\$7,049,722	(\$448,452)

The notes to the general-purpose financial statements are an integral part of this statement.

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

**Combined Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Year Ended June 30, 2002**

	Enterprise
Operating Revenues:	
Tuition and Fees	\$30,998
Sales	741,428
	<u>772,426</u>
Operating Expenses	
Personal Services	512,378
Contract Services	46,665
Materials and Supplies	407,920
Other	232
Depreciation	12,723
	<u>979,918</u>
Operating Loss	<u>(207,492)</u>
Non-Operating Revenues and Expenses	
Operating Grants	124,860
Federal Donated Commodities	48,738
Interest Revenue	36
Miscellaneous	7
(Loss) on Sale of Assets	(402)
	<u>173,239</u>
Income Before Operating Transfers	(34,253)
Operating Transfers-In	85,000
	<u>50,747</u>
Net Income	50,747
Retained Earnings at Beginning of Year	91,020
	<u>141,767</u>
Retained Earnings at End of Year	141,767
Contributed Capital at End of Year	115,842
	<u>257,609</u>
Total Fund Equity at End of Year	\$257,609

The notes to the general-purpose financial statements are an integral part of this statement.

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

**Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended June 30, 2002**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$741,428
Cash Received from Tuition and Fees	31,365
Cash Payments for Personal Services	(490,178)
Cash Payments for Contract Services	(47,131)
Cash Payments for Supplies and Materials	(360,304)
Net Cash Used by Operating Activities	(124,820)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Cash received from Operating Grants	124,860
Cash received for Operating Transfers	85,000
Cash received from Miscellaneous Revenues	7
Net Cash Provided by Noncapital Financing Activities	209,867
<u>Cash Flows from Investing Activities:</u>	
Interest Received	36
Net Cash Provided (Used) by Investing Activities	36
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(58,118)
Net Cash Provided (Used) by Capital and Related Financing Activities	(58,118)
Net Increase (Decrease) in Cash and Cash Equivalents	26,965
Cash and Cash Equivalents at Beginning of Year	180,880
Cash and Cash Equivalents at End of Year	\$207,845

(Continued)

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

**Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended June 30, 2002
(Continued)**

	<u>Enterprise</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	(\$207,492)
Adjustments to Reconcile Operating Loss to <u>Net Cash Used by Operating Activities:</u>	
Depreciation	12,723
Donated Commodities Used During the Year	48,738
Changes in Assets and Liabilities:	
Increase in Supplies Inventory	(6,323)
Decrease in Accounts Receivable	367
Decrease in Accounts Payable	(1,348)
Increase in Accrued Wages and Benefits	133
Increase in Compensated Absences Payable	22,174
Increase in Due to Other Governments	1,176
Decrease in Pension Obligations Payable	(1,322)
Increase in Deferred Revenue	6,354
	<hr/>
Total Adjustments	82,672
	<hr/>
Net Cash Used by Operating Activities	<u><u>(\$124,820)</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

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

**Notes To The General-Purpose Financial Statements
June 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT

Benton-Carroll-Salem Local School District (the District) is located in Ottawa County, in Oak Harbor, Ohio. The District was established in the early 1970s through the consolidation of existing land areas and school districts. The District currently serves an area of approximately 106 square miles and includes 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 six instructional buildings, one administrative building and a bus garage. The District employs 99 non-certified and 152 certified (including administrative) full-time and part-time employees to provide services to approximately 2,050 students in grades K through 12 and various community groups, which ranks it 269th out of approximately 705 public and community school districts in Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

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 an annual fee per student charged to participating districts. The District paid \$33,879 to NOECA for services in fiscal year 2002. Financial information is available from the Erie County Educational Service Center (fiscal agent), at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Bay Area Council of Governments

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

Northwestern Ohio Educational Research Council, Incorporated

The Northwestern Ohio Educational Research Council, Inc. is a nonprofit organization operated under the direction of a Board of Directors. The Council was formed to provide conferences and training to personnel of the participating districts. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. To obtain financial information write to the Northwestern Ohio Educational Research Council, Inc., David G. Elsass, Treasurer, at P.O. Box 456, Ashland, Ohio 44805.

The District also participates in two public entity risk sharing pools, described in Note 11.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statutes.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Project Funds - The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are reported on a cash basis, with note disclosure regarding items which, in other funds types, would be subject to accrual.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental fund types.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the District on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year-end: property taxes available as an advance, grants, interest, tuition (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent).

Current property taxes measurable as of June 30, 2002, but which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in government funds.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. 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. The specific timetable for fiscal year 2002 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Ottawa County Budget Commission for tax rate determination.
3. Prior to 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

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid. The Eisenhower and Pre-School for the Handicapped special revenue funds are flow through-grants for which the Erie County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the District's reporting entity, for which the "appropriated budget" is adopted, and the District does not maintain separate budgetary records.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations which either reallocated or increased (decreased) the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reservation of

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary basis and GAAP basis of accounting. Encumbrances for enterprise funds are reported in Note 12 to the financial statements.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary 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 combined balance sheet.

During 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposit, and U.S. Federal Agency Securities. At fiscal year-end, the District's investments were limited to non-negotiable certificates of deposit reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Under existing Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 totaled \$332,418, which included \$58,948 assigned from other funds of the District.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 Treasurer's investment account at year end is provided in Note 4.

F. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicated they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

from the advance payment. At period-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. Proprietary and Nonexpendable Trust Funds

Equipment reflected in these funds is stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Minor Equipment	5 - 20

I. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase

Capital Projects Fund

State Property Tax Relief

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

Non-Reimbursement Grants

Special Revenue Funds

- Teacher Development
- Educational Management Information Systems
- Eisenhower Grant
- Title VI-B
- Title I
- Title VI
- SchoolNet Professional Development
- Pre-School for the Handicapped

Capital Projects Fund

- School Net Plus

Reimbursable Grants

General Fund

- Driver Education
- Vocational Education
- CAFS - Medicaid Reimbursement

Special Revenue Funds

- Vocational Education - Occupational Work Adjustment
- Library Automation
- Data Communications
- Telecommunications (E-Rate)
- Drug-Free Schools
- Auxiliary Service
- School Age Child Care Program
- Ohio Reads
- Early Childhood Education

Proprietary Funds

- National School Lunch Program
- School Breakfast Program
- Donated Federal Commodities

Grants and entitlements amounted to more than 14% of the District's operating revenue during the 2002 fiscal year.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

termination or retirement. The District records a liability for accumulated, unused vacation (as earned) for all employees with more than one year of service. A liability for severance is accrued using the termination method; i.e., the liability for earned sick leave accumulated at the balance sheet date is recorded to the extent it is probable that benefits will result in termination payments. The probability is based upon the District's past experience in making termination payments. For purposes of establishing a liability for severance payments, all employees with at least ten (10) years of service with the District were considered as being eligible to possibly receive future termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by Proprietary funds are reported as liabilities in the appropriate Proprietary funds.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, tax revenue unavailable for appropriation, prepayments, textbooks and budget stabilization. The reserve for property taxes represents taxes recognized as revenue in accordance with GAAP, but not available for appropriation in accordance with Ohio statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

M. Contributed Capital

Contributed capital reported in the enterprise funds represent resources provided from other funds, other governments, or private sources that is not subject to repayment. These assets are recorded at fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

component of retained earnings at year-end. Contributed capital in the enterprise funds at June 30, 2002 is \$115,842

Prior to 1992, the District prepared its financial statements on a cash basis; consequently, contributed capital (if any) prior to 1992 has not been included in the proprietary funds' total equity.

N. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant may include:

- Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
- Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
- Short-term interfund loans made pursuant to Board of Education resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
- Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
- Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
- Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2002 is presented in Note 5.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. Fund balance reserves have also been established. See Note 18 for details.

P. Statement of Cash Flows

In September 1989, the GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its enterprise funds. For purposes of the statement of cash flows, the District considers cash equivalents to include investments of the cash management pool and all short term investments (maturity of 90 days or less from date of purchase).

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

Q. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

R. Parochial Schools

Within the District boundaries, St. Boniface School is operated by the Toledo Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District are reflected in a special revenue fund for financial reporting purposes.

S. Estimates

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

U. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balance</u>
Special Revenue Funds:	
Title 1 - Migrant Fund	(\$277)

This fund complied with Ohio State law which does not permit a cash basis deficit year-end.

The deficit fund balance in the Title I – Migrant special revenue fund is caused by the application of GAAP, namely in the reporting of a liability for pension obligation payable attributable to the fiscal year. This deficit balance will be eliminated by intergovernmental revenues or other subsidies not recognized and recorded at June 30th.

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

4. EQUITY IN POOLED CASH 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 the Board of Education has identified as not required for use within the current 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 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Investment Pool (STAR Ohio);

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand: At year end, the District had \$350 in undeposited cash on hand, which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

Cash with Fiscal Agent: At year end, the District had \$1,736 in cash and cash equivalents held by the Erie-Ottawa Educational Service Center. This amount is included on the balance sheet as "Cash with Fiscal Agent". The Erie-Ottawa Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 3.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits: At year end, the carrying amount of the District's deposits was \$8,018,910 and the bank balance was \$8,506,646 (both amounts include \$4,033,028 in non-negotiable certificates of deposit.) Of the bank balance:

1. \$500,000 was covered by federal depository insurance.
2. \$7,106,646 was covered by collateral held by the pledging banks' trust department in the name of the District.
3. \$900,000 was covered by Surety Company Bonds.

The classification of cash, cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash, cash equivalents, and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

	2001 Second-Half Collections		2002 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$195,125,760	38.21%	\$198,075,450	62.89%
Public Utility	277,050,040	54.26%	60,798,870	19.31%
Tangible Personal Property	38,458,242	7.53%	56,050,580	17.80%
Total Assessed Value	<u>\$510,634,042</u>	<u>100.00%</u>	<u>\$314,924,900</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation:

Operations	\$35.13	\$35.13
Permanent Improvements	1.20	1.20

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The Ottawa County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2002, totaled \$482,390 in the General Fund and \$10,820 in the Permanent Improvements Fund.

7. RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (rent and student fees) and intergovernmental grants and entitlements (to the extent that such grants and entitlements relate to the current year). Receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal grants.

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

A summary of the principal items of receivables follows:

	Amounts
General Fund:	
Taxes - Current and Delinquent	\$6,978,498
Accrued Interest	50,828
Accounts Receivable	1,110
Special Revenue Funds:	
Due to Other Governments	34,534
Capital Projects Funds:	
Taxes - Current and Delinquent	217,562

8. FIXED ASSETS

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	Balance 7/1/01	Increases	Decreases	Balance 6/30/02
Land/Improvements	\$2,110,044			\$2,110,044
Buildings/Improvements	20,084,462			20,084,462
Furniture/Equipment	4,901,816	\$148,613	(\$593,458)	4,456,971
Vehicles	1,582,154		(86,629)	1,495,525
Totals	\$28,678,476	\$148,613	(\$680,087)	\$28,147,002

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture and Equipment	\$332,963
Less: Accumulated Depreciation	(162,520)
Totals	\$170,443

9. CONTRIBUTED CAPITAL

There were no changes to contributed capital in the enterprise funds for the year ended June 30, 2002.

	Food Service	Vo-Ag Farm	Total
Contributed Capital, June 30, 2002	\$104,502	\$11,340	\$115,842

10. LONG-TERM OBLIGATIONS

A. During the year ended June 30, 2002, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

	Balance 7/1/01	Increases	Decreases	Balance 6/30/02
Compensated Absences	\$1,545,514	\$38,796		\$1,584,310
Early Retirement Incentive	195,000	10,000	(\$120,000)	85,000
Pension Obligation Payable	101,716	107,360	(101,716)	107,360
Totals	<u>\$1,842,230</u>	<u>\$156,156</u>	<u>(\$221,716)</u>	<u>\$1,776,670</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 2002 are a voted debt margin of \$28,343,241 and an unvoted debt margin of \$314,925.

11. 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 2002, the District contracted with private carriers for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. The private carrier also covers boiler and machinery with a \$1,000 deductible and a \$30,000,000 limit.

Professional liability is provided by Todd & Associates with a zero deductible, \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate. The District is also protected by Todd & Associates with an umbrella liability coverage of \$5,000,000. Vehicles are covered by Todd & Associates with a \$1,000 deductible for comprehensive and for collision. Automobile liability has a \$2,000,000 combined single limit of liability. 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 2001.

B. OSBA Workers' Compensation Group Rating

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP.

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

C. Group Health Insurance

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association, whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association Trust Agreement provides that the Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$100,000 and aggregate claims in excess of 120 percent of expected claims.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

12. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains four enterprise funds to account for the operations of Food Services, Uniform School Supplies, Vocational Agriculture farm operations, and Community Education. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.

	Food Service	Uniform School Supplies	Vo-Ag Farm	Community Education	Totals
Operating Revenues	\$531,875	\$11,481	\$16,059	\$213,011	\$772,426
Depreciation Expense	5,446		7,277		12,723
Operating Income (Loss)	(157,421)	(70,584)	4,165	16,348	(207,492)
Nonoperating Revenue:					
Operating Grants	124,860				124,860
Federal Commodities	48,738				48,738
Operating Transfers		85,000			85,000
Net Income (Loss)	15,953	14,416	4,026	16,352	50,747
Net Working Capital	54,631	17,324	5,133	10,078	87,166
Fixed Assets:					
Additions	36,361		6,540		42,901
Total Assets	299,631	17,324	54,699	34,848	406,502
Total Liabilities	124,123			24,770	148,893
Total Fund Equity	175,508	17,324	54,699	10,078	257,609
Encumbrances at June 30, 2002	32,522	5,738	675	1,728	40,663

13. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established 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.

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2002; 5.46 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$137,903, \$102,570, and \$135,287, respectively; 48.65 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$70,815, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent for 2002; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$783,911, \$866,990, and \$536,232, respectively; 82.22 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$139,362, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2002, two members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

14. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by SERS and STRS based on authority granted by State statute. Both SERS and STRS are funded on a pay-as-you-go basis.

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$371,326 during the 2002 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$243,058 during the 2002 fiscal year.

15. OTHER EMPLOYEE BENEFITS

Retirement Incentive

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

The retirees will receive \$10,000 in January of the calendar year following the year of retirement. A liability of \$85,000 for the retirement incentive has been recorded in the General Long-Term Obligations Account Group at June 30, 2002. The obligation will ultimately be paid from the fund in which the employee was paid.

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

16. BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types			
	General	Special Revenue	Capital Projects
Budget Basis	\$898,927	(\$89,052)	(\$147,898)
Net Adjustments for Revenue Accruals	(248,824)	18,353	3,985
Net Adjustments for Expenditure Accruals	59,685	7,004	1,632
Net Adjustments for Other Financing Sources/(Uses)	(71,860)	68,046	
Adjustments for Encumbrances	305,675	61,202	322,406
GAAP Basis	\$943,603	\$65,553	\$180,125

17. CONTINGENT LIABILITIES

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds.

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

B. Litigation

The District is a party to legal proceedings. The District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

C. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

18. STATUTORY RESERVES

The District is required by State law to set aside certain (cash basis) general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of			
July 1, 2002	\$39,238		\$95,107
Current Year Set-aside Requirement	256,519	\$256,519	
Current Year Offsets		(361,201)	
Qualifying Disbursements	(220,009)	(73,583)	
Total	<u>\$75,748</u>	<u>(\$178,265)</u>	<u>\$95,107</u>
Reserve Balance Carried Forward to June 30, 2002	<u>\$75,748</u>		<u>\$95,107</u>

Although the District has offsets and qualifying disbursements during the year that reduced the set-aside requirement below zero, the amount for capital acquisitions may not be used to reduce the set-aside requirements of future years.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. S.B. 345 places special restrictions of the use of Bureau of Workers Compensation (BWC) rebate money remaining in the budget stabilization as of April 10, 2001, which is \$95,107 at June 30, 2002. Other non-BWC monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the General Fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

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

**Notes To The General-Purpose Financial Statements
June 30, 2002
(Continued)**

A schedule of the restricted assets at June 30, 2002 follows:

Amount restricted for textbooks	\$75,748
Amount restricted for budget stabilization	<u>95,107</u>
Total restricted Assets	<u><u>\$170,855</u></u>

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

**Schedule of Federal Awards Expenditures
For the Period Ended June 30, 2002**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies	84.010	C1-S1-2001 C1-S1-2002
Total Title 1		
Migrant Education - Basic State Grant Program	84.011	MG-S1-2002
Eisenhower Professional Development State Grants	84.281	MS-S1-2002
Innovative Education Program Strategies	84.298	CS-S1-2000-CO C2-S1-2001 C2-S1-2002
Total Innovative Education Program Strategies		
Special Education - Grants to States	84.027	6B-SF-2001-P 6B-SF-2002-P
Total Special Education		
Safe and Drug Free School and Communities - State Grants	84.186	DR-S1-2001 DR-S1-2002
Total Safe and Drug Free School and Communities		
Class Size Reduction	84.340	CR-S1-2000 CR-S1-2001 CR-S1-2002
Total Class Size Reduction		
Total Department of Education		
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed through Penta Career Center</i>		
Vocational Education - Basic Grants to States	84.048	2B-00-2002
Total United States Department of Education		
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>		
Medical Assistance Program	93.778	-
Total United States Department of Health and Human Services		

(Continued)

Receipts	Non-cash Receipts	Disbursements	Non-cash Disbursements
		\$11,876	
\$84,506		79,078	
84,506		90,954	
6,800		6,800	
8,282		8,282	
		2	
		18	
11,447		9,415	
11,447		9,435	
54,205		42,131	
174,633		171,064	
228,838		213,195	
6,308		4,886	
4,517		150	
10,825		5,036	
9,235			
17,405		15,526	
19,223		1,401	
45,863		16,927	
396,561		350,629	
		5,985	
396,561		356,614	
27,206		27,206	
27,206		27,206	

(Continued)

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

**Schedule of Federal Awards Expenditures
For the Period Ended June 30, 2002**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program	10.550	-
School Breakfast Program	10.553	05PU-2001 05PU-2002
National School Lunch Program	10.555	LL-P4-2000 LL-P4-2001

Total United States Department of Agriculture - Nutrition Cluster

TOTAL FEDERAL FINANCIAL ASSISTANCE

The accompanying notes are an integral part of this schedule.

<u>Receipts</u>	<u>Non-cash Receipts</u>	<u>Disbursements</u>	<u>Non-cash Disbursements</u>
	\$56,592		\$48,738
426		426	
3,165		3,165	
17,735		17,735	
99,292		99,292	
120,618	56,592	120,618	48,738
\$544,385	\$56,592	\$504,438	\$48,738

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

**Notes to the Schedule of Federal Awards Expenditures
June 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

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



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Benton-Carroll-Salem Local School District
Ottawa County
11685 West State Route 163
Oak Harbor, Ohio 43449-1298

To the Board of Education:

We have audited the financial statements of Benton-Carroll-Salem Local School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 20, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 20, 2002.

This report is intended for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

December 20, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Benton-Carroll-Salem Local School District
Ottawa County
11685 West State Route 163
Oak Harbor, Ohio 43449-1298

To the Board of Education:

Compliance

We have audited the compliance of Benton-Carroll-Salem Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses. We noted other matters involving the internal control over compliance that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 20, 2002.

This report is intended for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

December 20, 2002

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

**Schedule of Findings
OMB Circular A -133 § .505
June 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	<u>Nutrition Cluster</u> Food Distribution CFDA #10.550 School Breakfast Program CFDA #10.553 National School Lunch CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT

OTTAWA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 28, 2003**