

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

ANNE ARNOLD, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Benton Carroll Salem Local School District, Ottawa County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 19, 2011

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Benton-Carroll-Salem Local School District, Ottawa County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Benton-Carroll-Salem Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Benton-Carroll-Salem Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Benton-Carroll-Salem Local School District, as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2011 on our consideration of the Benton-Carroll-Salem Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Benton-Carroll-Salem Local School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* provides additional analysis and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
November 4, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of the Benton-Carroll-Salem Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets of governmental activities decreased \$2,001,602 which represents a 12.86% decrease from fiscal year 2010.
- General revenues accounted for \$18,139,765 in revenue or 83.05% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,701,714 or 16.95% of total revenues of \$21,841,479.
- The District had \$23,843,081 in expenses related to governmental activities; \$3,701,714 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,139,765 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The District restated fund balances at June 30, 2010 as described in Note 3.B to the basic financial statements. The general fund had \$18,429,130 in revenues and \$20,015,914 in expenditures. During fiscal year 2011, the general fund's fund balance decreased \$1,586,784 from \$3,173,425 to \$1,586,641.
- The permanent improvement fund had \$641,258 in revenues and \$629,097 in expenditures. During fiscal year 2011, the permanent improvement fund's fund balance increased \$12,161 from \$1,398,375 to \$1,410,536.

Using these Basic Financial Statements

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-48 of this report.

The District as a Whole

The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

	Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 14,631,376	\$ 16,560,483
Capital assets, net	<u>10,686,125</u>	<u>11,107,220</u>
Total assets	<u>25,317,501</u>	<u>27,667,703</u>
<u>Liabilities</u>		
Current liabilities	10,014,365	10,458,931
Long-term liabilities	<u>1,738,216</u>	<u>1,642,250</u>
Total liabilities	<u>11,752,581</u>	<u>12,101,181</u>
<u>Net Assets</u>		
Invested in capital assets	10,686,125	11,107,220
Restricted	3,075,005	3,449,107
Unrestricted (deficit)	<u>(196,210)</u>	<u>1,010,195</u>
Total net assets	<u>\$ 13,564,920</u>	<u>\$ 15,566,522</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$13,564,920. Of this total, \$3,075,005 is restricted in use.

At year-end, capital assets represented 42.21% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of accumulated depreciation at June 30, 2011, were \$10,686,125. These capital assets are used to provide services to the students and are not available for future spending.

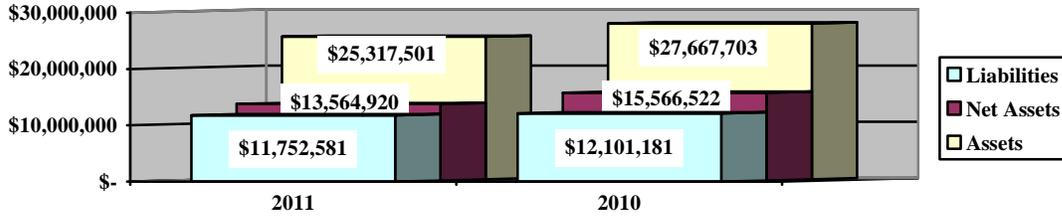
A portion of the District's net assets, \$3,075,005, represents resources that are subject to external restriction on how they may be used. The remaining balance is an unrestricted deficit of \$196,210.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The table below provides a summary of the District's assets, liabilities and net assets at June 30, 2011 and June 30, 2010.

Governmental Activities



The table below shows the change in net assets for fiscal years 2011 and 2010.

Change in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,656,127	\$ 1,520,489
Operating grants and contributions	2,045,587	1,629,548
General revenues:		
Property taxes	8,384,797	8,424,602
Grants and entitlements	9,674,152	9,855,959
Investment earnings	55,780	111,124
Other	25,036	2,242
Total revenues	<u>21,841,479</u>	<u>21,543,964</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Change in Net Assets

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 10,140,737	\$ 9,644,150
Special	1,861,374	2,001,627
Vocational	23,576	23,091
Adult/continuing	17,723	14,607
Other	177,890	194,628
Support services:		
Pupil	1,316,050	984,049
Instructional staff	1,392,922	1,301,320
Board of education	106,749	83,381
Administration	1,859,375	1,850,362
Fiscal	479,675	465,016
Operations and maintenance	2,907,590	2,868,528
Pupil transportation	1,296,161	1,269,017
Central	392,943	259,721
Operation of non-instructional services:		
Food service operations	875,915	891,085
Other non-instructional services	238,886	225,971
Extracurricular activities	<u>755,515</u>	<u>722,802</u>
Total expenses	<u>23,843,081</u>	<u>22,799,355</u>
Change in net assets	(2,001,602)	(1,255,391)
Net assets at beginning of year	<u>15,566,522</u>	<u>16,821,913</u>
Net assets at end of year	<u>\$ 13,564,920</u>	<u>\$ 15,566,522</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$2,001,602. Total governmental expenses of \$23,843,081 were offset by program revenues of \$3,701,714 and general revenues of \$18,139,765. Program revenues supported 15.53% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 82.68% of total governmental revenue. The increase in operating grants and contributions is attributable to monies received during fiscal year 2011 related to the Pathway to Student Success program, which is administered through the Ohio Department of Education. The increase is also attributable to federal monies received during fiscal year 2011 related to the Education Jobs program.

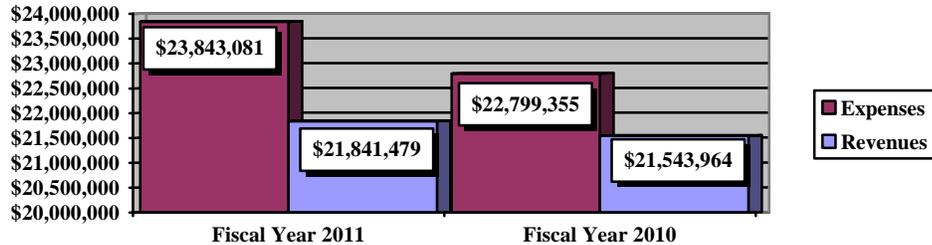
The largest expense of the District is for instructional programs. Instruction expenses totaled \$12,221,300 or 51.26% of total governmental expenses for fiscal year 2011.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2011 and 2010.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2011 and 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program expenses				
Instruction:				
Regular	\$ 10,140,737	\$ 8,820,597	\$ 9,644,150	\$ 8,650,417
Special	1,861,374	1,463,152	2,001,627	1,504,779
Vocational	23,576	22,701	23,091	22,222
Adult/continuing	17,723	1,515	14,607	1,219
Other	177,890	177,890	194,628	194,628
Support services:				
Pupil	1,316,050	1,029,100	984,049	941,791
Instructional staff	1,392,922	1,271,549	1,301,320	1,124,159
Board of education	106,749	106,749	83,381	83,381
Administration	1,859,375	1,736,855	1,850,362	1,701,737
Fiscal	479,675	479,675	465,016	465,016
Operations and maintenance	2,907,590	2,899,115	2,868,528	2,864,337
Pupil transportation	1,296,161	1,219,575	1,269,017	1,223,553
Central	392,943	361,372	259,721	253,332
Operation of non-instructional services:				
Food service operations	875,915	(26,292)	891,085	48,009
Other non-instructional services	238,886	18,354	225,971	46,650
Extracurricular activities	755,515	559,460	722,802	524,088
Total expenses	\$ 23,843,081	\$ 20,141,367	\$ 22,799,355	\$ 19,649,318

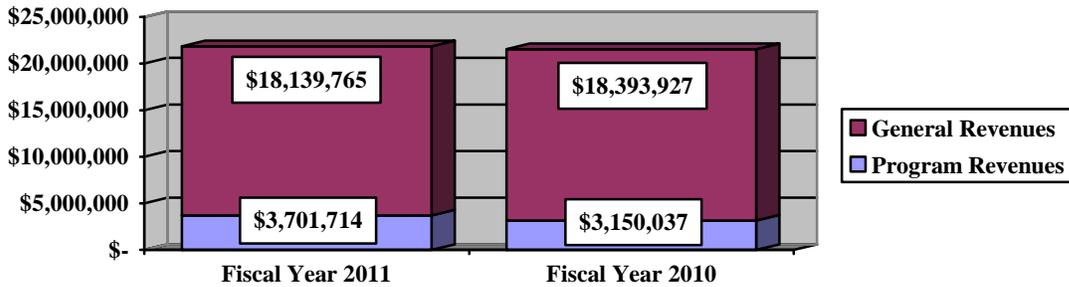
**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The dependence upon tax and other general revenues for governmental activities is apparent, 85.80% of instructional activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.47%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$3,783,033, which is lower than last year's total restated balance of \$5,534,047 (as described in Note 3.B). The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and June 30, 2010.

	Fund Balance June 30, 2011	(Restated) Fund Balance June 30, 2010	Increase/ (Decrease)	Percentage Change
General	\$ 1,586,641	\$ 3,173,425	\$ (1,586,784)	(50.00) %
Permanent improvement	1,410,536	1,398,375	12,161	0.87 %
Other governmental	785,856	962,247	(176,391)	(18.33) %
Total	\$ 3,783,033	\$ 5,534,047	\$ (1,751,014)	(31.64) %

General Fund

The District's general fund balance decreased \$1,586,784.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

	2011 <u>Amount</u>	(Restated) 2010 <u>Amount</u>	Increase/ (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 7,949,554	\$ 8,096,983	\$ (147,429)	(1.82) %
Tuition	632,249	507,557	124,692	24.57 %
Earnings on investments	74,680	158,371	(83,691)	(52.84) %
Intergovernmental	9,562,998	9,537,783	25,215	0.26 %
Other revenues	<u>209,649</u>	<u>179,851</u>	<u>29,798</u>	16.57 %
Total	<u>\$ 18,429,130</u>	<u>\$ 18,480,545</u>	<u>\$ (51,415)</u>	(0.28) %
<u>Expenditures</u>				
Instruction	\$ 11,097,203	\$ 10,841,475	\$ 255,728	2.36 %
Support services	8,434,721	8,270,297	164,424	1.99 %
Non-instructional services	24,319	18,904	5,415	28.64 %
Extracurricular activities	459,551	447,401	12,150	2.72 %
Facilities acquisition and construction	<u>120</u>	<u>11,070</u>	<u>(10,950)</u>	(98.92) %
Total	<u>\$ 20,015,914</u>	<u>\$ 19,589,147</u>	<u>\$ 426,767</u>	2.18 %

Overall revenues of the general fund decreased \$51,415 or 0.28%. The most significant decreases were in the areas of taxes and earnings on investments. Taxes decreased \$147,429 or 1.82% due to a minor decrease in real estate tax receipts during fiscal year 2011. Earnings on investments decreased \$83,691 or 52.84% mainly due to declining interest rates. Tuition revenue helped to offset these decreases, increasing \$124,692 or 24.57% during fiscal year 2011 primarily because of increased open enrollment receipts.

Overall expenditures of the general fund increased \$426,767 or 2.18%. The most significant increases were in the areas of instruction and support services which increased \$255,728 and \$164,424, respectively. These minimal increases are a result of the District's attempt to remain fiscally responsible during difficult economic times.

Permanent Improvement Fund

The permanent improvement fund had \$641,258 in revenues and \$629,097 in expenditures. During fiscal year 2011, the permanent improvement fund's fund balance increased \$12,161 from \$1,398,375 to \$1,410,536.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, original budgeted revenues and other financing sources of \$18,214,339 matched exactly to the final budget. Actual revenues and other financing sources for fiscal year 2011 totaled \$18,160,194. This represents a \$54,145 decrease from final budgeted amounts.

General fund original appropriations (appropriated expenditures including other financing uses) of \$20,282,597 matched exactly to the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$20,361,256, which was \$78,659 greater than final budgeted amounts.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Capital Assets

At the end of fiscal year 2011, the District had \$10,686,125 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2011 balances compared to June 30, 2010:

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

	Governmental Activities	
	2011	2010
Land	\$ 372,525	\$ 372,525
Construction-in-progress	-	66,356
Land improvements	445,727	419,150
Building and improvements	8,677,960	8,928,303
Furniture and equipment	297,605	267,140
Vehicles	892,308	1,053,746
Total	\$ 10,686,125	\$ 11,107,220

The overall decrease in capital assets of \$421,095 is due to depreciation expense of \$621,842 exceeding capital outlays of \$201,747 and disposals (net of accumulated depreciation) of \$1,000.

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

Current Financial Related Activities

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon the tax revenue from the nuclear power plant that is located within the District's boundaries. The unemployment rate in Ottawa County has slowly been improving, but is still in the high range compared to other areas. This continues to impact the District from the aspect of the number of free and reduced lunches that the District serves.

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

With the state of the economy and the new biennium budget on the horizon, the District will remain conservative when considering any future growth from State allocations. The District ended the year with just over a \$2.8 million carry over balance, which will provide time to look at future cost cutting options as well as the possibility of new operating levies. The administration and Board of Education are continuing to look at sources of additional revenue and expenditure levels as well, and the possibility of consolidating elementary buildings. The District is reviewing the current five year forecast and looking at options intended to reduce deficit spending trends. The District had two emergency levy attempts in calendar year 2011 without success, but another one will be on the ballot in November of 2011. This money is critical to the District and if the levy is not passed it will result in the closure of two additional elementary school buildings, Carroll Elementary School and Graytown Elementary School.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 5,542,230
Cash in segregated accounts	879
Receivables:	
Taxes	8,724,215
Accounts.	866
Intergovernmental	315,846
Accrued interest	13,303
Prepayments	20,619
Materials and supplies inventory.	13,418
Capital assets:	
Land	372,525
Depreciable capital assets, net.	10,313,600
Total capital assets, net.	<u>10,686,125</u>
 Total assets.	 <u>25,317,501</u>
Liabilities:	
Accounts payable.	36,898
Accrued wages and benefits	1,938,920
Pension obligation payable.	563,394
Intergovernmental payable	97,838
Unearned revenue	7,377,315
Long-term liabilities:	
Due within one year.	132,283
Due in more than one year.	1,605,933
 Total liabilities	 <u>11,752,581</u>
Net Assets:	
Invested in capital assets.	10,686,125
Restricted for:	
Capital projects	1,934,648
Locally funded programs	57
State funded programs.	17,523
Federally funded programs	213,137
Student activities	17,367
Food service operations	226,389
Instructional materials	647,752
Other purposes	18,132
Unrestricted (deficit)	<u>(196,210)</u>
 Total net assets	 <u>\$ 13,564,920</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
				<u>Governmental Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 10,140,737	\$ 686,958	\$ 633,182	\$ (8,820,597)
Special	1,861,374	68,506	329,716	(1,463,152)
Vocational	23,576	-	875	(22,701)
Adult/continuing.	17,723	13,896	2,312	(1,515)
Other	177,890	-	-	(177,890)
Support services:				
Pupil.	1,316,050	-	286,950	(1,029,100)
Instructional staff	1,392,922	-	121,373	(1,271,549)
Board of education	106,749	-	-	(106,749)
Administration.	1,859,375	19,340	103,180	(1,736,855)
Fiscal.	479,675	-	-	(479,675)
Operations and maintenance	2,907,590	8,475	-	(2,899,115)
Pupil transportation.	1,296,161	-	76,586	(1,219,575)
Central	392,943	-	31,571	(361,372)
Operation of non-instructional services:				
Food service operations	875,915	498,940	403,267	26,292
Other non-instructional services	238,886	166,556	53,976	(18,354)
Extracurricular activities.	755,515	193,456	2,599	(559,460)
Total governmental activities	\$ 23,843,081	\$ 1,656,127	\$ 2,045,587	(20,141,367)

General Revenues:

Property taxes levied for:	
General purposes	8,073,847
Capital projects.	310,950
Grants and entitlements not restricted to specific programs	9,674,152
Investment earnings	55,780
Miscellaneous	25,036
Total general revenues	18,139,765
Change in net assets	(2,001,602)
Net assets at beginning of year.	15,566,522
Net assets at end of year	\$ 13,564,920

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 2,546,399	\$ 1,398,075	\$ 934,388	\$ 4,878,862
Cash in segregated accounts	879	-	-	879
Receivables:				
Taxes.	8,389,978	334,237	-	8,724,215
Accounts	-	-	866	866
Intergovernmental.	11	-	315,835	315,846
Accrued interest	13,303	-	-	13,303
Interfund loans	101,008	-	-	101,008
Prepayments.	20,619	-	-	20,619
Materials and supplies inventory.	-	-	13,418	13,418
Restricted assets:				
Equity in pooled cash and cash equivalents	663,368	-	-	663,368
Total assets	<u>\$ 11,735,565</u>	<u>\$ 1,732,312</u>	<u>\$ 1,264,507</u>	<u>\$ 14,732,384</u>
Liabilities:				
Accounts payable	\$ 18,892	\$ 13,215	\$ 4,791	\$ 36,898
Accrued wages and benefits.	1,877,798	-	61,122	1,938,920
Pension obligation payable	507,535	-	55,859	563,394
Intergovernmental payable	94,741	-	3,097	97,838
Interfund loans payable.	-	-	101,008	101,008
Retirement incentive payable	5,000	-	-	5,000
Deferred revenue	552,092	24,112	252,774	828,978
Unearned revenue.	7,092,866	284,449	-	7,377,315
Total liabilities.	<u>10,148,924</u>	<u>321,776</u>	<u>478,651</u>	<u>10,949,351</u>
Fund Balances:				
Nonspendable:				
Prepayments.	20,619	-	-	20,619
Materials and supplies inventory.	-	-	13,418	13,418
Restricted:				
Capital improvements	-	1,128,429	-	1,128,429
Community education	-	-	8,544	8,544
Food service operations	-	-	253,999	253,999
Non-public schools	-	-	9,304	9,304
Targeted academic assistance	-	-	3,436	3,436
Extracurricular.	-	-	17,367	17,367
Instructional materials	647,752	-	-	647,752
School bus purchases	15,616	-	-	15,616
Other purposes.	-	-	8,296	8,296
Committed:				
Capital improvements	-	282,107	500,000	782,107
Termination benefits.	252,657	-	-	252,657
Assigned:				
Student instruction	47,554	-	-	47,554
Student and staff support.	528,743	-	-	528,743
School supplies	65,250	-	-	65,250
Other purposes.	8,799	-	-	8,799
Unassigned (deficit)	(349)	-	(28,508)	(28,857)
Total fund balances	<u>1,586,641</u>	<u>1,410,536</u>	<u>785,856</u>	<u>3,783,033</u>
Total liabilities and fund balances	<u>\$ 11,735,565</u>	<u>\$ 1,732,312</u>	<u>\$ 1,264,507</u>	<u>\$ 14,732,384</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	3,783,033
 <i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			10,686,125
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	572,781	
Accrued interest receivable		3,412	
Intergovernmental receivable		<u>252,785</u>	
Total			828,978
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.			<u>(1,733,216)</u>
Net assets of governmental activities		<u>\$</u>	<u>13,564,920</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 7,949,554	\$ 306,050	\$ -	\$ 8,255,604
Tuition	632,249	-	-	632,249
Earnings on investments	74,680	254	67	75,001
Charges for services	-	-	626,543	626,543
Extracurricular	99,159	-	185,786	284,945
Classroom materials and fees	78,094	-	24,926	103,020
Rental income	7,360	-	1,115	8,475
Contributions and donations	3,399	-	27,971	31,370
Other local revenues	21,637	-	895	22,532
Intergovernmental - intermediate	-	-	500	500
Intergovernmental - state	9,541,251	334,954	48,627	9,924,832
Intergovernmental - federal	21,747	-	1,524,200	1,545,947
Total revenues	<u>18,429,130</u>	<u>641,258</u>	<u>2,440,630</u>	<u>21,511,018</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,227,690	-	526,260	9,753,950
Special	1,668,047	-	188,679	1,856,726
Vocational	23,576	-	-	23,576
Adult/continuing	-	-	17,723	17,723
Other	177,890	-	-	177,890
Support services:				
Pupil	1,008,075	-	299,117	1,307,192
Instructional staff	1,242,924	-	134,075	1,376,999
Board of education	106,721	-	-	106,721
Administration	1,717,032	-	105,012	1,822,044
Fiscal	474,913	6,027	-	480,940
Operations and maintenance	2,503,823	9,174	-	2,512,997
Pupil transportation	1,133,402	-	25,607	1,159,009
Central	247,831	85,904	49,130	382,865
Operation of non-instructional services:				
Food service operations	-	-	855,189	855,189
Other non-instructional services	24,319	-	211,724	236,043
Extracurricular activities	459,551	-	204,505	664,056
Facilities acquisition and construction	120	527,992	-	528,112
Total expenditures	<u>20,015,914</u>	<u>629,097</u>	<u>2,617,021</u>	<u>23,262,032</u>
Net change in fund balances	(1,586,784)	12,161	(176,391)	(1,751,014)
Fund balances at beginning of year (restated).	<u>3,173,425</u>	<u>1,398,375</u>	<u>962,247</u>	<u>5,534,047</u>
Fund balances at end of year.	<u>\$ 1,586,641</u>	<u>\$ 1,410,536</u>	<u>\$ 785,856</u>	<u>\$ 3,783,033</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds \$ (1,751,014)

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

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

Capital asset additions	\$	201,747	
Current year depreciation		<u>(621,842)</u>	
Total			(420,095)

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

Capital asset disposals		(10,500)	
Accumulated depreciation		<u>9,500</u>	
Total			(1,000)

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

Taxes		129,193	
Earnings on investments		(19,154)	
Intergovernmental revenue		<u>212,487</u>	
Total			322,526

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(152,019)

Change in net assets of governmental activities \$ (2,001,602)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Taxes	\$ 8,013,757	\$ 8,013,757	\$ 7,876,686	\$ (137,071)
Tuition	483,115	483,115	632,249	149,134
Earnings on investments	175,000	175,000	67,231	(107,769)
Classroom materials and fees	540	540	-	(540)
Rental income	4,300	4,300	4,035	(265)
Other local revenues	3,000	3,000	5,414	2,414
Intergovernmental - state	9,523,127	9,523,127	9,541,251	18,124
Intergovernmental - federal	-	-	21,747	21,747
Total revenues	<u>18,202,839</u>	<u>18,202,839</u>	<u>18,148,613</u>	<u>(54,226)</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,158,637	9,158,637	8,908,024	250,613
Special	1,712,419	1,712,419	1,647,309	65,110
Vocational	25,412	25,412	23,930	1,482
Other	195,850	195,850	183,890	11,960
Support services:				
Pupil	1,101,400	1,101,400	1,008,465	92,935
Instructional staff	1,172,457	1,172,457	1,250,334	(77,877)
Board of education	161,257	161,257	177,925	(16,668)
Administration	1,658,393	1,658,393	1,784,849	(126,456)
Fiscal	503,473	503,473	484,602	18,871
Business	1,700	1,700	-	1,700
Operations and maintenance	2,713,945	2,713,945	2,927,176	(213,231)
Pupil transportation	1,131,835	1,131,835	1,181,312	(49,477)
Central	280,404	280,404	232,009	48,395
Extracurricular activities	455,415	455,415	450,303	5,112
Facilities acquisition and construction	-	-	120	(120)
Total expenditures	<u>20,272,597</u>	<u>20,272,597</u>	<u>20,260,248</u>	<u>12,349</u>
Excess of expenditures over revenues	<u>(2,069,758)</u>	<u>(2,069,758)</u>	<u>(2,111,635)</u>	<u>(41,877)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	8,000	8,000	9,049	1,049
Advances (out)	(10,000)	(10,000)	(101,008)	(91,008)
Sale of capital assets	3,500	3,500	2,532	(968)
Total other financing sources (uses)	<u>1,500</u>	<u>1,500</u>	<u>(89,427)</u>	<u>(90,927)</u>
Net change in fund balance	(2,068,258)	(2,068,258)	(2,201,062)	(132,804)
Fund balance at beginning of year (restated)	4,143,577	4,143,577	4,143,577	-
Prior year encumbrances appropriated	343,865	343,865	343,865	-
Fund balance at end of year	<u>\$ 2,419,184</u>	<u>\$ 2,419,184</u>	<u>\$ 2,286,380</u>	<u>\$ (132,804)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 95,961
Total assets.	\$ 95,961
Liabilities:	
Accounts payable.	\$ 165
Intergovernmental payable	195
Due to students.	95,601
Total liabilities	\$ 95,961

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District currently operates 6 instructional buildings, 1 administrative building and a bus garage. The District employs 133 certified (including administrative) and 121 classified full-time and part-time employees to provide services to approximately 1,830 students in grades K through 12 and various community groups, which ranks it 296th out of approximately 918 public school districts and community schools in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of forty-one public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. All revenues are generated from a combination of State funding and annual fee per student charged to participating districts. The District paid \$14,629 to NOECA for network support services in fiscal year 2011. Financial information is available from Betty Schweifert, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Bay Area Council of Governments

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

Northwestern Ohio Educational Research Council, Incorporated

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

PUBLIC ENTITY RISK POOLS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

School of Ohio Risk Sharing Authority

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

D. Basis of Accounting

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue in the governmental funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

E. Budgets

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

Tax Budget:

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

Estimated Resources:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Appropriations:

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

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

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

F. Cash and Investments

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

During fiscal year 2011, investments were limited to nonnegotiable certificates of deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$74,680, which includes \$28,324 assigned from other District funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

G. Inventory

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2011, the District maintained a capitalization threshold at \$10,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	10 - 20 years
Buildings and improvements	9 - 50 years
Furniture and equipment	6 - 10 years
Vehicles	6 - 10 years

I. Interfund Balances

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

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

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for special enterprises and an amount restricted by State statute for school bus purchases.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable by an amount equal to the carrying value of the asset on the fund financial statements.

O. Estimates

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

P. Restricted Assets

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

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. The District did not have any interfund activity at June 30, 2011 on the fund financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 2,576,909	\$ 1,398,375	\$ 1,558,763	\$ 5,534,047
Fund reclassifications:				
Uniform school supplies fund	80,073	-	(80,073)	-
Public school support fund	20,601	-	(20,601)	-
Termination benefits fund	<u>495,842</u>	<u>-</u>	<u>(495,842)</u>	<u>-</u>
Total fund reclassifications	<u>596,516</u>	<u>-</u>	<u>(596,516)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 3,173,425</u>	<u>\$ 1,398,375</u>	<u>\$ 962,247</u>	<u>\$ 5,534,047</u>

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. Pursuant to GASB Statement No. 54, only the legally budgeted general fund should be reported in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis

	<u>General Fund</u>
Balance at June 30, 2010	\$ 4,147,204
Funds budgeted elsewhere	<u>(3,627)</u>
Restated balance at July 1, 2010	<u>\$ 4,143,577</u>

D. Noncompliance

The District had expenditures in excess of appropriations in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

E. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
IDEA, Part B	\$ 19,168
Title I	9,340

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

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

B. Cash in Segregated Accounts

At year end, the District had \$879 on deposit with The National Bank of Oak Harbor. This amount is included in the total amount of "Deposits with Financial Institutions".

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$5,623,516. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2011, \$2,248,168 of the District’s bank balance of \$5,680,904 was covered by the FDIC, while \$3,432,736 was exposed to custodial risk as discussed below.

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

D. Investments

As of June 30, 2011, the District had the following investment and maturity:

Investment	Fair Value	Maturity 6 months or less
STAR Ohio	\$ 10,004	\$ 10,004

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 10,004	100.00

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2011:

Cash and investments per note disclosure

Carrying amount of deposits	\$ 5,623,516
Investments	10,004
Cash on hand	5,550
Total	\$ 5,639,070

Cash and investments per statement of net assets

Governmental activities	\$ 5,543,109
Agency fund	95,961
Total	\$ 5,639,070

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2011 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 101,008

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Ottawa County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 269,036,330	75.10	\$ 270,396,140	77.09
Public utility personal	88,937,110	24.82	80,373,140	22.91
Tangible personal property	<u>308,555</u>	<u>0.08</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 358,281,995</u>	<u>100.00</u>	<u>\$ 350,769,280</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$ 35.83		\$ 35.83	
Permanent improvement	1.50		1.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 8,724,215
Accounts	866
Intergovernmental	315,846
Accrued interest	<u>13,303</u>
Total	<u>\$ 9,054,230</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

<u>Governmental activities:</u>	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2011</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 372,525	\$ -	\$ -	\$ 372,525
Construction-in-progress	66,356	-	(66,356)	-
<i>Total capital assets, not being depreciated</i>	<u>438,881</u>	<u>-</u>	<u>(66,356)</u>	<u>372,525</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,544,750	41,084	-	1,585,834
Buildings and improvements	19,768,131	164,345	-	19,932,476
Equipment and furniture	679,112	62,674	(10,500)	731,286
Vehicles	2,218,309	-	-	2,218,309
<i>Total capital assets, being depreciated</i>	<u>24,210,302</u>	<u>268,103</u>	<u>(10,500)</u>	<u>24,467,905</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,125,600)	(14,507)	-	(1,140,107)
Buildings and improvements	(10,839,828)	(414,688)	-	(11,254,516)
Equipment and furniture	(411,972)	(31,209)	9,500	(433,681)
Vehicles	(1,164,563)	(161,438)	-	(1,326,001)
<i>Total accumulated depreciation</i>	<u>(13,541,963)</u>	<u>(621,842)</u>	<u>9,500</u>	<u>(14,154,305)</u>
Total capital assets, net	<u>\$ 11,107,220</u>	<u>\$ (353,739)</u>	<u>\$ (67,356)</u>	<u>\$ 10,686,125</u>

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 295,482
<u>Support services:</u>	
Administration	21,105
Operations and maintenance	52,721
Pupil transportation	130,202
Central	9,148
Other non-instructional services	1,029
Extracurricular activities	91,050
Food service operations	21,105
Total depreciation expense	<u>\$ 621,842</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

<u>Governmental activities:</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amount Due</u> <u>In One Year</u>
Compensated absences	\$ 1,622,250	\$ 451,574	\$ (340,608)	\$ 1,733,216	\$ 127,283
Retirement incentive	20,000	5,000	(20,000)	5,000	5,000
Total governmental activities	<u>\$ 1,642,250</u>	<u>\$ 456,574</u>	<u>\$ (360,608)</u>	<u>\$ 1,738,216</u>	<u>\$ 132,283</u>

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

B. Legal Debt Margins

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$31,569,235 and an unvoted debt margin of \$350,769.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. For fiscal year 2011, the District contracted with the Schools of Ohio Risk Sharing Authority (SORSA) (See Note 2.A.) for property, crime, general liability, auto liability/physical damage, and educator's legal liability insurances. The limit of liability coverage is \$11,000,000, with a \$13,000,000 annual aggregate under general liability. There is no deductible for any liability loss except under the educator's legal liability, which is subject to a \$5,000 deductible. Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from fiscal year 2010, with the exception of reduced coverage for the Rocky Ridge Elementary School building, which is scheduled to be non-operational in future years (See Note 18).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - RISK MANAGEMENT - (Continued)

B. OASBO Workers' Compensation Group Rating

For fiscal year 2011, the District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) (See Note 2.A.), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Group Health Insurance

The District has joined together with other school districts in the area to form the San-Ott School Employees Welfare Benefit Association (the "Association") (See Note 2.A.), whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association Trust Agreement provides that the Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$200,000 and aggregate claims in excess of 120 percent of expected claims.

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

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$405,665, \$436,506 and \$299,145, respectively; 53.60 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,191,802, \$1,149,820 and \$1,125,806, respectively; 83.23 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$37,142 made by the District and \$26,530 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$115,112, \$71,883 and \$193,485, respectively; 53.60 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$26,105, \$25,958 and \$24,682, respectively; 53.60 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$91,677, \$88,448 and \$86,600, respectively; 83.23 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - OTHER EMPLOYEE BENEFITS

Retirement Incentive

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

The retirees are entitled to receive the \$10,000 in January of the calendar year following the year of retirement. A liability of \$5,000, which is for the second of two equal payments made to one of the District's employees, for the retirement incentive has been recorded in the general fund on the fund financial statements, and as a component of the long-term liabilities on the statement of net assets. The retirement incentive liability will be paid out of the fund from which the employee was paid.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (2,201,062)
Net adjustment for revenue accruals	91,898
Net adjustment for expenditure accruals	111,366
Net adjustment for other sources/uses	89,427
Funds budgeted elsewhere	(258,662)
Adjustment for encumbrances	580,249
GAAP basis	<u>\$ (1,586,784)</u>

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

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16 - SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ 493,015	\$ -
Current year set-aside requirement	256,174	256,174
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(101,437)	-
Excess qualified expenditures from prior years	-	-
Current year offsets	-	(638,367)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ 647,752</u>	<u>\$ (382,193)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ 647,752</u>	<u>\$ -</u>

Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This positive balance is therefore not being presented as being carried forward to the future fiscal year. For the capital improvements reserve, qualifying expenditures and offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2011 follows:

Amount restricted for instructional materials	\$ 647,752
Amount restricted for school bus purchases	<u>15,616</u>
Total restricted cash	<u>\$ 663,368</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - COMMITMENTS

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 568,954
Permanent improvement	244,950
Other governmental	<u>95,204</u>
Total	<u>\$ 909,108</u>

NOTE 18 - SUBSEQUENT EVENT

The District was forced to close Rocky Ridge Elementary School for the 2011-2012 school year. The building will be auctioned off in December of 2011.

SUPPLEMENTARY DATA

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(D), (E) School Breakfast Program	10.553	2011	\$ 74,955	\$ 74,955
(C), (E) National School Lunch Program - Food Donation	10.555	2011	51,838	51,838
(D), (E) National School Lunch Program	10.555	2011	269,969	269,969
Total National School Lunch Program			<u>321,807</u>	<u>321,807</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>396,762</u>	<u>396,762</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Cluster:</i>				
(F) Title I Grants to Local Educational Agencies	84.010	2010	-	15,721
(F) Title I Grants to Local Educational Agencies	84.010	2011	17,895	79,052
Total Title I Grants to Local Educational Agencies			<u>17,895</u>	<u>94,773</u>
(F)(H) ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	(3,651)	8,857
(F)(H) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	59,737	66,471
Total ARRA-Title I Grants to Local Educational Agencies			<u>56,086</u>	<u>75,328</u>
Total Title I Cluster			<u>73,981</u>	<u>170,101</u>
<i>Special Education Grant Cluster:</i>				
(G) Special Education_Grants to States	84.027	2010	-	3,073
(G) Special Education_Grants to States	84.027	2011	426,630	418,363
Total Special Education _Grants to States			<u>426,630</u>	<u>421,436</u>
(G) ARRA-Special Education_Grants to States, Recovery Act	84.391	2010	6,031	32,186
(G) ARRA-Special Education_Grants to States, Recovery Act	84.391	2011	197,034	209,755
Total ARRA-Special Education _Grants to States			<u>203,065</u>	<u>241,941</u>
(G) ARRA-Special Education_Preschool Grants, Recovery Act	84.392	2010	-	1,226
(G) ARRA-Special Education_Preschool Grants, Recovery Act	84.392	2011	9,872	9,872
ARRA-Special Education_Preschool Grants, Recovery Act			<u>9,872</u>	<u>11,098</u>
Total Special Education Grant Cluster			<u>639,567</u>	<u>674,475</u>
(H) Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	(96)	-
(H) Safe and Drug-Free Schools and Communities_State Grants	84.186	2011	96	96
Total Safe and Drug-Free Schools and Communities_State Grants			<u>-</u>	<u>96</u>
Education Technology State Grants	84.318	2010	1,285	-
Education Technology State Grants	84.318	2011	554	533
Total Education Technology State Grants			<u>1,839</u>	<u>533</u>
Improving Teacher Quality State Grants	84.367	2011	56,106	52,633
Total Improving Teacher Quality State Grants			<u>56,106</u>	<u>52,633</u>
ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2010	-	133,185
ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	295,114	286,697
Total State Fiscal Stabilization Fund			<u>295,114</u>	<u>419,882</u>
ARRA-Race to the Top, Recovery Act	84.395	2011	-	3,958
Total U.S. Department of Education			<u>1,066,607</u>	<u>1,321,678</u>
Total Federal Financial Assistance			<u>\$ 1,463,369</u>	<u>\$ 1,718,440</u>

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

- (A) OAKS did not assign pass through numbers for fiscal year 2011.
 (B) This schedule was prepared on the cash basis of accounting.
 (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
 (D) Included as part of "Child Nutrition Cluster" in determining major programs.
 (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
 (F) Included as part of "Title I Cluster" in determining major programs.
 (G) Included as part of "Special Education Grant Cluster" in determining major programs.
 (H) The District generally must spend Federal Assistance within 15 months of receipt(funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following advances:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	\$ 3,651	
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011		\$ 3,651
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	\$ 96	
Safe and Drug-Free Schools and Communities_State Grants	84.186	2011		\$ 96
Total			<u>\$ 3,747</u>	<u>\$ 3,747</u>



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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Benton-Carroll-Salem Local School District, Ottawa County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise Benton-Carroll-Salem Local School District's basic financial statements and have issued our report thereon dated November 4, 2011. We noted the District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Benton-Carroll-Salem Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Benton-Carroll-Salem Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Benton-Carroll-Salem Local School District's internal control over financial reporting.

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

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

Board of Education
Benton-Carroll-Salem Local School District

Compliance and Other Matters

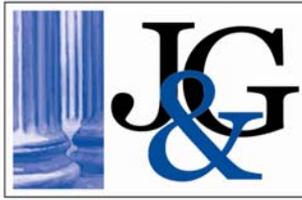
As part of reasonably assuring whether the Benton-Carroll-Salem Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2011-BCSLSD-001 and 2011-BCSLSD-002.

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

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



Julian & Grube, Inc.
November 4, 2011



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Benton-Carroll-Salem Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Benton-Carroll-Salem Local School District's major federal programs. The Benton-Carroll-Salem Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Benton-Carroll-Salem Local School 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Benton-Carroll-Salem Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Benton-Carroll-Salem Local School District's compliance with those requirements.

In our opinion, the Benton-Carroll-Salem Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

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

Board of Education
Benton-Carroll-Salem Local School District

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

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

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report that we reported to the Benton-Carroll-Salem Local School District's management in a separate letter dated November 4, 2011.

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

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

Julian & Grube, Inc.
November 4, 2011

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Child Nutrition Cluster: School Breakfast Program - CFDA #10.553; National School Lunch Program - CFDA #10.555; Special Education Grant Cluster: Special Education_Grants to States - CFDA #84.027; ARRA-Special Education_Grants to States, Recovery Act, CFDA #84.391; ARRA-Special Education_Preschool Grants, Recovery Act, CFDA #84.392; ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act, CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2011-BCSLSD-001

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The District had expenditures exceeding appropriations in the following funds at June 30, 2011:

<u>Nonmajor Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Principals Fund	\$ 70,981	\$ 75,287	\$ 4,306
Green Team Grant	-	443	443
Athletics	199,547	206,961	7,414
State Fiscal Stabilization	267,774	419,882	152,108
ARRA-Special Education_Preschool	8,954	11,098	2,144
Community Education	180,000	202,744	22,744

With expenditures exceeding appropriations, the District is expending monies that have not been appropriated. This could result in unnecessary purchases and/or fund deficits.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget throughout the year.

Client Response: The District will review its appropriations more closely and will approve modifications when deemed necessary.

Finding Number	2011-BCSLSD-002
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

Expenditures exceeded appropriations throughout the fiscal year and at fiscal year end.

By not timely and properly modifying the District's appropriations, the District is not adequately monitoring its appropriations versus expenditures. With expenditures exceeding appropriations, overspending may occur which could result in negative fund balances.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations records and amending the appropriations prior to fiscal year end. In addition, the District should monitor its budgetary process on a regular basis and make amendments as necessary.

Client Response: The District will review its appropriations more closely and will approve modifications when deemed necessary.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
2010-001	Allowable and unallowable costs - Noncompliance/Questioned Cost/Material Weakness: 2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section (C)(I)(J) provides that for a cost to be allowable, the expenditure must be adequately documented. In addition, 2 C.F.R. Part 225 Appendix C, Section (A)(I) also provides, in part, that all costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the cost assigned to federal awards. The District had total questioned costs for unallowable purchases of \$33,768 spend of IDEA Part B stimulus money on students without disabilities during 2010.	No	Partially corrected; Benton-Carroll-Salem Local School District has contacted the Ohio Department of Education and is in the process of resolving this issue.



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Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on May 25, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Julian & Grube, Inc.
November 4, 2011

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Dave Yost • Auditor of State

BENTON CARROLL SALEM LOCAL SCHOOL DISTRICT

OTTAWA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 29, 2011**