



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

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Benton-Carroll-Salem Local School District, Ottawa County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Benton-Carroll-Salem Local School District, Ottawa County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

February 1, 2001

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

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$3,994,505	\$207,572	\$1,257,526
Cash with fiscal agent		4,575	
Receivables (net of allowances of uncollectibles):			
Property taxes - current and delinquent	12,661,223		485,173
Accounts	11,521	2,397	
Accrued interest	86,847		
Interfund loan receivable	46,851		
Due from other governments	6,252	7,785	1,369
Prepayments	117,700	2,901	
Materials and supplies inventory	70,361		
Restricted assets:			
Equity in pooled cash and cash equivalents	691,420		
Property, plant and equipment (net of accumulated depreciation where applicable)			
<b>Other debits:</b>			
Amount to be provided for retirement of General Long-Term Obligations			
<b>Total assets and other debits</b>	<b>\$17,686,680</b>	<b>\$225,230</b>	<b>\$1,744,068</b>



Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$116,169	\$81,574			\$5,657,346 4,575
				13,146,396
504	642			15,064
				86,847
15,747				46,851
2,663				31,153
23,087				123,264
				93,448
				691,420
103,354		\$28,608,140		28,711,494
			\$1,931,644	1,931,644
<b>\$261,524</b>	<b>\$82,216</b>	<b>\$28,608,140</b>	<b>\$1,931,644</b>	<b>\$50,539,502</b>

(Continued)

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

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000  
(Continued)**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Accounts payable	\$73,076	\$3,596	\$1,008
Accrued wages and benefits	1,227,855	20,323	
Compensated absences payable	19,475		
Retirement incentive payable			
Pension obligation payable	426,318	8,834	
Interfund loan payable		46,026	
Deferred revenue	12,344,335		474,512
Due to students			
Undistributed monies			
Total liabilities	14,091,059	78,779	475,520
<b>Equity and other credits:</b>			
Investment in general fixed assets			
Contributed capital			
Retained earnings: unreserved			
Fund balances:			
Reserved for encumbrances	672,444	33,028	48,335
Reserved for supplies inventory	70,361		
Reserved for prepayments	117,700	2,901	
Reserved for tax revenue unavailable for appropriation	392,665		10,661
Reserved for budget stabilization	691,420		
Unreserved-undesignated	1,651,031	110,522	1,209,552
Total equity and other credits	3,595,621	146,451	1,268,548
<b>Total liabilities, equity and other credits</b>	<b>\$17,686,680</b>	<b>\$225,230</b>	<b>\$1,744,068</b>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$3,907				\$81,587
14,342				1,262,520
60,960			\$1,498,704	1,579,139
			330,000	330,000
47,172			102,940	585,264
825				46,851
14,811				12,833,658
	\$80,398			80,398
	1,818			1,818
<u>142,017</u>	<u>82,216</u>		<u>1,931,644</u>	<u>16,801,235</u>
		\$28,608,140		28,608,140
115,842				115,842
3,665				3,665
				753,807
				70,361
				120,601
				403,326
				691,420
				<u>2,971,105</u>
<u>119,507</u>		<u>28,608,140</u>		<u>33,738,267</u>
<u>\$261,524</u>	<u>\$82,216</u>	<u>\$28,608,140</u>	<u>\$1,931,644</u>	<u>\$50,539,502</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Revenues:</b>					
From local sources:					
Taxes	\$12,819,727		\$485,799		\$13,305,526
Tuition	1,053				1,053
Earnings on investments	422,503	\$162	6,240		428,905
Other local revenues	113,853	244,502			358,355
Intergovernmental - State	1,878,287	331,001	61,859		2,271,147
Intergovernmental - Federal	15,915	302,948			318,863
<b>Total revenue</b>	<b>15,251,338</b>	<b>878,613</b>	<b>553,898</b>		<b>16,683,849</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	7,938,757	65,769	49,598		8,054,124
Special	1,066,566	321,261			1,387,827
Vocational	526,465	18,574			545,039
Other	67,071				67,071
Support services:					
Pupil	949,619	15,705			965,324
Instructional staff	926,318	67,463			993,781
Board of Education	162,772				162,772
Administration	1,265,755	109,841			1,375,596
Fiscal	421,187		8,122		429,309
Operations and maintenance	1,793,819	1,492	6,800		1,802,111
Pupil transportation	875,452	2,000	31,957		909,409
Central	88,403	2,528			90,931
Community services		70,690			70,690
Extracurricular activities	358,491	157,722		502	516,715
Facilities services	80,791		290,736		371,527
Capital outlay	110				110
<b>Total expenditures</b>	<b>16,521,576</b>	<b>833,045</b>	<b>387,213</b>	<b>502</b>	<b>17,742,336</b>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,270,238)</u>	<u>45,568</u>	<u>166,685</u>	<u>(502)</u>	<u>(1,058,487)</u>
<b>Other financing sources (uses):</b>					
Operating transfers out	(23,184)				(23,184)
Proceeds from sale of assets	3,104				3,104
<b>Total other financing uses</b>	<u>(20,080)</u>				<u>(20,080)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,290,318)</u>	<u>45,568</u>	<u>166,685</u>	<u>(502)</u>	<u>(1,078,567)</u>
Fund balance, July 1	4,850,511	100,883	1,101,863	502	6,053,759
Increase in reserve for inventory	35,428				35,428
<b>Fund balance, June 30</b>	<b><u>\$3,595,621</u></b>	<b><u>\$146,451</u></b>	<b><u>\$1,268,548</u></b>		<b><u>\$5,010,620</u></b>

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

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	General		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
From local sources:			
Taxes	\$12,933,899	\$12,933,899	
Tuition	1,053	1,053	
Earnings on investments	503,538	518,481	\$14,943
Other local revenues		112,315	112,315
Intergovernmental - State	1,751,498	1,878,963	127,465
Intergovernmental - Federal		15,915	15,915
Total revenues	<u>15,189,988</u>	<u>15,460,626</u>	<u>270,638</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	9,062,704	8,116,036	946,668
Special	1,444,323	1,363,453	80,870
Vocational	553,916	541,801	12,115
Other	127,312	80,954	46,358
Support services:			
Pupil	918,023	876,187	41,836
Instructional staff	1,071,489	949,565	121,924
Board of Education	403,214	170,874	232,340
Administration	1,614,158	1,424,731	189,427
Fiscal	514,441	442,419	72,022
Operations and maintenance	2,526,685	2,050,874	475,811
Pupil transportation	932,856	896,080	36,776
Central	170,001	118,090	51,911
Community services			
Extracurricular activities	375,294	366,013	9,281
Facilities services	129,319	82,521	46,798
Total expenditures	<u>19,843,735</u>	<u>17,479,598</u>	<u>2,364,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,653,747)</u>	<u>(2,018,972)</u>	<u>2,634,775</u>
<b>Other financing sources (uses):</b>			
Refund of prior year's expenditures		2,713	2,713
Refund of prior year's (receipts)	(500)	(174)	326
Operating transfers (out)	(55,000)	(23,184)	31,816
Advances in		26,500	26,500
Advances (out)	(46,851)	(73,351)	(26,500)
Proceeds of sale of fixed assets		3,104	3,104
Total other financing sources (uses)	<u>(102,351)</u>	<u>(64,392)</u>	<u>37,959</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(4,756,098)</u>	<u>(2,083,364)</u>	<u>2,672,734</u>
Fund balances, July 1	4,792,357	4,792,357	
Prior year encumbrances appropriated	1,217,863	1,217,863	
<b>Fund balances, June 30</b>	<u><u>\$1,254,122</u></u>	<u><u>\$3,926,856</u></u>	<u><u>\$2,672,734</u></u>

(Continued)

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

	<b>Special Revenue</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
From local sources:			
Taxes			
Tuition			
Earnings on investments	\$12	\$162	\$150
Other local revenues	237,996	243,867	5,871
Intergovernmental - State	352,806	331,001	(21,805)
Intergovernmental - Federal	290,674	271,155	(19,519)
Total revenues	<u>881,488</u>	<u>846,185</u>	<u>(35,303)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	112,460	69,562	42,898
Special	333,238	326,570	6,668
Vocational	19,000	18,575	425
Other			
Support services:			
Pupil	15,705	15,705	
Instructional staff	78,134	56,622	21,512
Board of Education			
Administration	122,427	116,350	6,077
Fiscal			
Operations and maintenance	1,492	1,492	
Pupil transportation	2,000	2,000	
Central	14,813	2,528	12,285
Community services	74,829	69,396	5,433
Extracurricular activities	216,965	173,121	43,844
Facilities services			
Total expenditures	<u>991,063</u>	<u>851,921</u>	<u>139,142</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(109,575)</u>	<u>(5,736)</u>	<u>103,839</u>
<b>Other financing sources (uses):</b>			
Refund of prior year's expenditures			
Refund of prior year's (receipts)	(148)	(148)	
Operating transfers (out)			
Advances in		72,526	72,526
Advances (out)		(26,500)	(26,500)
Proceeds of sale of fixed assets			
Total other financing sources (uses)	<u>(148)</u>	<u>45,878</u>	<u>46,026</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(109,723)</u>	<u>40,142</u>	<u>149,865</u>
Fund balances, July 1	105,718	105,718	
Prior year encumbrances appropriated	25,359	25,359	
<b>Fund balances, June 30</b>	<u><u>\$21,354</u></u>	<u><u>\$171,219</u></u>	<u><u>\$149,865</u></u>

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

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$486,550	\$489,008	\$2,458	\$13,420,449	\$13,422,907	\$2,458
4,954	6,241	1,287	1,053	1,053	
60,489	60,489		508,504	524,884	16,380
			237,996	356,182	118,186
			2,164,793	2,270,453	105,660
			290,674	287,070	(3,604)
<u>551,993</u>	<u>555,738</u>	<u>3,745</u>	<u>16,623,469</u>	<u>16,862,549</u>	<u>239,080</u>
49,598	49,598		9,224,762	8,235,196	989,566
			1,777,561	1,690,023	87,538
			572,916	560,376	12,540
			127,312	80,954	46,358
			933,728	891,892	41,836
			1,149,623	1,006,187	143,436
			403,214	170,874	232,340
			1,736,585	1,541,081	195,504
10,500	8,122	2,378	524,941	450,541	74,400
42,000	6,800	35,200	2,570,177	2,059,166	511,011
113,968	31,958	82,010	1,048,824	930,038	118,786
			184,814	120,618	64,196
			74,829	69,396	5,433
			592,259	539,134	53,125
<u>510,752</u>	<u>338,062</u>	<u>172,690</u>	<u>640,071</u>	<u>420,583</u>	<u>219,488</u>
<u>726,818</u>	<u>434,540</u>	<u>292,278</u>	<u>21,561,616</u>	<u>18,766,059</u>	<u>2,795,557</u>
<u>(174,825)</u>	<u>121,198</u>	<u>296,023</u>	<u>(4,938,147)</u>	<u>(1,903,510)</u>	<u>3,034,637</u>
				2,713	2,713
			(648)	(322)	326
			(55,000)	(23,184)	31,816
				99,026	99,026
			(46,851)	(99,851)	(53,000)
				3,104	3,104
			<u>(102,499)</u>	<u>(18,514)</u>	<u>83,985</u>
(174,825)	121,198	296,023	(5,040,646)	(1,922,024)	3,118,622
912,273	912,273		5,810,348	5,810,348	
175,720	175,720		1,418,942	1,418,942	
<u><b>\$913,168</b></u>	<u><b>\$1,209,191</b></u>	<u><b>\$296,023</b></u>	<u><b>\$2,188,644</b></u>	<u><b>\$5,307,266</b></u>	<u><b>\$3,118,622</b></u>

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

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating revenues:</b>	
Tuition and fees	\$35,764
Sales/charges for services	584,037
Other operating revenues	369
Total operating revenues	620,170
<b>Operating expenses:</b>	
Personal services	447,245
Contract services	40,212
Materials and supplies	307,828
Depreciation	11,897
Other	497
Total operating expenses	807,679
Operating loss	(187,509)
<b>Nonoperating revenues:</b>	
Operating grants	113,189
Federal commodities	53,903
Interest revenue	217
Gain on sale of assets	2,621
Miscellaneous	807
Total nonoperating revenues	170,737
Net income before operating transfers	(16,772)
Operating transfers-in	23,184
Net income	6,412
Accumulated deficit, July 1	(2,747)
<b>Retained earnings, June 30</b>	<b>\$3,665</b>

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



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

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Cash flows from operating activities:</b>	
Cash received from tuition and fees	\$21,385
Cash received from sales/service charges	598,532
Cash payments for personal services	(436,500)
Cash payments for contract services	(37,280)
Cash payments supplies and materials	(262,280)
Cash payments for other expenses	(497)
	(116,640)
Net cash used in operating activities	(116,640)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from operating grants	114,585
Cash received from interfund loans	825
Cash received from transfers in	23,184
Miscellaneous	807
	139,401
Net cash provided by noncapital financing activities	139,401
<b>Cash flows from capital and related financing activities:</b>	
Proceeds of sale of fixed assets	3,528
Acquisition of capital assets	(22,505)
	(18,977)
Net cash used in capital and related financing activities	(18,977)
<b>Cash flows from investing activities:</b>	
Interest received	217
Net increase in cash and cash equivalents	4,001
Cash and cash equivalents at beginning of year	112,168
<b>Cash and cash equivalents at end of year</b>	<b>\$116,169</b>

(Continued)

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

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	(\$187,509)
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>	
Depreciation	11,897
Federal donated commodities	53,903
Changes in assets and liabilities:	
Increase in supplies inventory	(3,969)
Increase in accounts receivable	(253)
Decrease in prepayments	240
Decrease in accounts payable	(2,789)
Decrease in accrued wages & benefits	(44,551)
Increase in compensated absences payable	7,239
Increase in pension obligation payable	47,172
Increase in deferred revenue	1,980
	<u>1,980</u>
<b>Net cash used in operating activities</b>	<b>(\$116,640)</b>

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000**

**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 Villages of Oak Harbor, Graytown, and Rocky Ridge, and all or portions of Benton, Carroll, and Salem Townships.

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

The District currently operates 6 instructional buildings, one administrative building and a bus garage. The District employs 114 non-certified and 160 certified (including administrative) full-time and part-time employees to provide services to approximately 2,106 students in grades K through 12 and various community groups, which ranks it 267<sup>th</sup> out of approximately 660 public and community school districts in Ohio.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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's significant accounting policies are described below.

**A. The Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

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**JOINTLY GOVERNED ORGANIZATIONS:**

*Northern Ohio Educational Computer Association (NOECA)*

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of forty-one public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. All revenues are generated from a combination of State funding and an annual fee per student charged to participating districts. The District paid \$23,141 to NOECA for services in fiscal year 2000. Financial information is available from the Erie County Educational Service Center (fiscal agent), at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

*Bay Area Council of Governments*

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

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

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**GOVERNMENTAL FUNDS**

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

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

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

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

**PROPRIETARY FUNDS**

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

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

**FIDUCIARY FUNDS**

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust and Agency Funds. Expendable trusts are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**ACCOUNT GROUPS**

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

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

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

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**C. Measurement Focus/Basis of Accounting**

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

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

The modified accrual basis of accounting is followed for governmental, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent).

Property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Property taxes available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

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

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

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**D. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Ottawa County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid. Eisenhower and Pre-School for the Handicapped Special Revenue funds are flow through grants for which the Erie County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the District's reporting entity, for which the "appropriated budget" is adopted, and the District does not maintain separate budgetary records.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

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7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000 in the following amounts:

	<u>Increase</u>
Special Revenue Funds	<u>\$186,194</u>

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary basis and GAAP basis of accounting.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposit, commercial paper, and U.S. Federal Agency Securities.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

Calculation of the Net Increase in the Fair Value of Investments - Aggregate Method

	General Fund
Fair value at June 30, 2000	\$3,466,515
Add: Proceeds of investments sold and matured fiscal 2000	4,750,000
Less: Purchase of investments in fiscal 2000	(979,632)
Less: Fair value at June 30, 1999	<u>(7,220,554)</u>
Change in fair value of investments	<u>\$16,329</u>



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STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund during fiscal 2000 totaled \$422,503, which included \$89,281 assigned from other funds of the District.

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

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**F. Inventory**

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

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

**G. Prepaids**

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayment and deferrals are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

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

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depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. Proprietary and Nonexpendable Trust Funds

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

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

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Minor Equipment	5 - 20
Vehicles	4 - 6

**I. Intergovernmental Revenues**

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

**Entitlements**

General Fund

State Foundation Program  
School Bus Purchase  
State Property Tax Relief

Capital Projects Fund

State Property Tax Relief

**Non-Reimbursable Grants**

Special Revenue Funds

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

Capital Projects Funds

School Net Plus

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**Reimbursable Grants**

General Fund

- Driver Education
- Vocational Education Equipment
- CAFS-Medicaid Reimbursement

Special Revenue Funds

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

Proprietary Funds

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

Grants and entitlements amounted to over 15% of the District's operating revenue during the 2000 fiscal year.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. The District records a liability for accumulated, unused vacation (as earned) for all employees with more than one year of service. A liability for severance is accrued using the termination method; i.e., the liability for earned sick leave accumulated at the balance sheet date is recorded to the extent it is probable that benefits will result in termination payments. The probability is based upon the District's past experience in making termination payments. For purposes of establishing a liability for severance payments, all employees with at least ten (10) years of service with the District were considered as being eligible to possibly receive future termination payments.

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

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The

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balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**K. Long-Term Obligations**

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

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

**L. Fund Equity**

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

Designated fund balances represent tentative plans of management which are subject to change.

**M. Contributed Capital**

Contributed capital reported in the Enterprise funds represents resources provided from other funds, other governments, or private sources that is not subject to repayment. These assets are recorded at fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

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

**N. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with

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the exception of Agency funds, which do not report transfers of resources as operating transfers.

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

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

**O. Statutory Reserves**

The District is required by State law to set-aside certain (cash basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of July 1, 1999			\$691,420
Current Year Set-aside Requirement	\$380,574	\$380,574	
Current Year Offsets		(467,583)	
Qualifying Disbursements	<u>(496,342)</u>	<u>(690,362)</u>	
Total, June 30, 2000	<u>(\$115,768)</u>	<u>(\$777,371)</u>	<u>\$691,420</u>
Carried Forward to FY 2001	<u>(\$115,768)</u>		<u>\$691,420</u>

Although the District had offsets and qualifying disbursements during the year that reduced the instructional materials and capital acquisition set-aside amounts below zero, only the amount for instructional materials may be used to reduce the set-aside requirements of future years.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	<u>\$691,420</u>
Total restricted assets	<u>\$691,420</u>

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**P. Statement of Cash Flows**

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

**Q. Financial Reporting for Proprietary and Similar Fund Types**

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

**R. Parochial Schools**

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

**S. Restricted Assets**

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. A fund balance reserve has also been established. See Note 2. O. for statutory reserves.

**T. Estimates**

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

**U. Memorandum Only - Total Columns**

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

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**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances**

Fund balances at June 30, 2000 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Auxiliary Services	\$(119)
Early Childhood Education	(19,585)
Title I	(4,312)
 <u>Enterprise Funds</u>	
Swim Club	(1,321)
Community Education	(18,887)

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

**B. Prior Period Adjustment**

The District has presented a restatement of the components in the General Long-Term Obligations Account Group to properly reflect the beginning balance of its Retirement Incentive liability at July 1, 1999.

	<u>Balance as Previously Reported 6/30/99</u>	<u>Adjustment</u>	<u>Restated Balance 7/1/99</u>
Compensated Absences	\$1,648,484	(\$175,000)	\$1,473,484
Retirement Incentive		175,000	175,000
Pension Obligation Payable	99,403		99,403
Total	<u>\$1,747,887</u>	<u></u>	<u>\$1,747,887</u>

**4. EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two 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.

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Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Investment Pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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



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*Cash on Hand:* At year end, the District had \$150 in undeposited cash on hand, which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

*Cash with Fiscal Agent:* At year end, \$4,575 was on deposit with the District's fiscal agent for pass-through grants, and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

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

*Deposits:* At year end, the carrying amount of the District's deposits was \$2,009,026 and the bank balance was \$2,244,401 (both amounts include \$2,000,000 in non-negotiable certificates of deposit, but are exclusive of payroll clearance accounts). Of the bank balance:

1. \$230,500 was covered by federal depository insurance.
2. \$113,901 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.
3. \$1,900,000 was covered by Surety Company Bonds.

*Investments:* The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Reported Amount
Commercial Paper	\$984,295	\$984,295
U.S. Federal Agency Securities	2,482,220	2,482,220
Not Subject to Categorization:		
Investment in State Treasurer's Investment Pool		877,650
Total Investments	\$3,466,515	\$4,344,165

The federal agency securities have maturities ranging from September, 2000 to February, 2001.

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

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

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$6,348,766	
Investments of the Cash Management Pool:		
Commercial Paper	(984,295)	\$984,295
State Treasurer's Investment Pool	(877,650)	877,650
U.S. Federal Agency Securities	(2,482,220)	2,482,220
Cash with Fiscal Agent	4,575	
Cash on Hand	(150)	
GASB Statement No. 3	<u>\$2,009,026</u>	<u>\$4,344,165</u>

**5. INTERFUND TRANSACTIONS**

A. The following is a reconciliation of the District's operating transfers for fiscal year 2000:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		(23,184)
Enterprise Funds:		
Community Education Program	23,184	
Totals	<u>\$23,184</u>	<u>(\$23,184)</u>

B. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$46,851	
Special Revenue Funds:		
School Age Child Care Program		(19,526)
Ohio Reads Grant		(26,500)
Enterprise Funds:		
Recreation-Swim Club		(825)
Total All Fund Types	<u>\$46,851</u>	<u>(\$46,851)</u>

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year.

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Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market value, and railroads, which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2000 taxes were collected are as follows:

	1999 Second-half Collections		2000 First-half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$173,646,010	35.60%	\$176,504,670	35.08%
Public Utility	276,140,760	56.62%	267,204,780	53.12%
Tangible Personal Property	37,959,320	7.78%	59,382,154	11.80%
	<b>\$487,746,090</b>	<b>100.00%</b>	<b>\$503,091,604</b>	<b>100.00%</b>

Tax rate per \$1,000 of  
assessed valuation

Operations	31.23	31.23
Permanent Improvements	1.20	1.20

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

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Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2000 totaled \$392,665 in the General fund and \$10,661 in the Permanent Improvements fund.

**7. RECEIVABLES**

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees) and intergovernmental grants and entitlements (to the extent that such grants and entitlements relate to the current year). 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 grants.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$12,661,223
Accrued Interest	86,847
 <u>Special Revenue Funds</u>	
Due From Other Governments	7,785
 <u>Capital Projects Funds</u>	
Taxes - Current and Delinquent	485,173
 <u>Enterprise Funds</u>	
Due From Other Governments	15,747

**8. FIXED ASSETS**

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

	Balance at 7/1/99	Increases	Decreases	Balance at 6/30/00
Land / Improvements	\$2,039,507	\$70,537		\$2,110,044
Buildings / Improvements	19,931,830	152,632		20,084,462
Furniture / Equipment	4,597,708	411,304	118,642	4,890,370
Vehicles	1,438,482	129,706	44,924	1,523,264
Total General Fixed Assets	<u>\$28,007,527</u>	<u>\$764,179</u>	<u>\$163,566</u>	<u>\$28,608,140</u>

A summary of the Proprietary fixed assets at June 30, 2000 follows:

Furniture / Equipment	\$257,108
Less: Accumulated Depreciation	153,754
Net Fixed Assets	<u>\$103,354</u>

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**9. CONTRIBUTED CAPITAL**

There were no changes to contributed capital in the Enterprise funds for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Vo-Ag Farm</u>	<u>Total</u>
Contributed Capital, June 30, 2000	\$104,502	\$11,340	\$115,842

**10. LONG-TERM OBLIGATIONS**

A. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	<u>Restated Balance at 7/1/99</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 6/30/00</u>
Compensated Absences	\$1,473,484	\$405,050	\$379,830	\$1,498,704
Early Retirement Incentive	175,000	225,000	\$70,000	330,000
Pension Obligation Payable	99,403	102,940	99,403	102,940
Total	<u>\$1,747,887</u>	<u>\$732,990</u>	<u>\$549,233</u>	<u>\$1,931,644</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations for the District at June 30, 2000 are a voted debt margin of \$45,278,244 and an unvoted debt margin of \$503,092.

**11. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. For fiscal year 2000, the District contracted with private carriers for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. The private carrier also covers boiler and machinery with a \$1,000 deductible and a \$30,000,000 limit.

Professional liability is provided by The Nationwide Insurance Company with a zero deductible, \$2,000,000 single occurrence limit and \$5,000,000 annual aggregate. The District is also protected by Nationwide with an umbrella liability coverage of \$5,000,000. Vehicles are covered by Nationwide Insurance with a \$250 deductible for comprehensive and \$1,000 for collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from fiscal 1999.

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**B. OSBA Workers's Compensation Group Rating**

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**C. Group Health Insurance**

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

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

**12. SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains five Enterprise funds to account for the operations of Food Services, Uniform School Supplies, Vocational Agriculture farm operations, the Swim Club, and Community Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000.

	Food Service	Uniform School Supplies	Vo-Ag Farm	Swim Club	Community Education	Total
Operating Revenue	\$429,772	\$14,379	\$8,667	\$545	\$166,807	\$620,170
Depreciation Expense	5,971		5,926			11,897
Operating Loss	(152,799)	(2,616)	(4,410)	(3,567)	(24,117)	(187,509)
Nonoperating Revenue						
Operating Grants	113,189					113,189
Federal Commodities	53,903					53,903
Operating Transfers In					23,184	23,184
Net Income (Loss)	14,279	(2,616)	(1,029)	(3,289)	(933)	6,412
Net Working Capital	98,767	200	2,320	(1,321)	(22,853)	77,113

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	Food Service	Uniform School Supplies	Vo-Ag Farm	Swim Club	Community Education	Total
Fixed Assets						
Additions	3,300		19,205			22,505
Total Assets	201,219	796	52,570	129	6,810	261,524
Long-Term Liabilities						
Payable from Fund						
Revenues	60,960					60,960
Total Fund Equity	90,911	200	52,570	(1,321)	(22,853)	119,507

**13. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$341,265, \$317,410, and \$310,452, respectively; 55.8 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$154,410, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation

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of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were 1,251,208, \$1,231,541, and 1,162,435, respectively; 89.4 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$132,940, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**14. POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$714,976 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 billion at June 30, 1999. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.

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

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188 million.



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SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$177,889 during the 2000 fiscal year.

**15. OTHER EMPLOYEE BENEFITS**

**Retirement Incentive**

The District has entered into a Retirement Incentive plan whereby, upon election, a teacher or administrator reaching his/her first year of retirement eligibility (with a minimum of thirty years of service credit with STRS, and no less than ten years of service with the District by the effective date of retirement) is entitled to receive, in addition to the retirement pay currently provided under the labor agreement, the amount of \$25,000.

The retirees will receive \$10,000 in January of the calendar year following the year of retirement, and the balance of \$15,000 in January of the second calendar year following the year of retirement. A liability of \$330,000 for the retirement incentive has been recorded in the General Long-Term Obligations Account Group at June 30, 2000. The obligation will ultimately be paid from the fund in which the employee was paid.

**16. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

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Excess of Revenues and Other Financing Sources Over  
(Under) Expenditures and Other Financing Uses  
Governmental Fund Types

	General	Special Revenue	Capital Projects
Budget Basis	(\$2,083,364)	\$40,142	\$121,198
Net adjustment for revenue accruals	(209,288)	32,428	(1,840)
Net adjustment for expenditure accruals	215,282	(17,477)	(1,008)
Net adjustment for other financing sources/(uses)	44,312	(45,878)	
Adjustment for encumbrances	742,740	36,353	48,335
GAAP Basis	<u>(\$1,290,318)</u>	<u>\$45,568</u>	<u>\$166,685</u>

**17. CONTINGENT LIABILITIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

**B. Litigation**

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

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$1,435,344 of school foundation support for its General fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000**

Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**18. SIGNIFICANT SUBSEQUENT EVENTS**

- A.** In the November 7, 2000 general election, voters of the District approved a 3.9 mill permanent operating levy. This new operating levy is expected to generate an additional \$886,000 in fiscal 2001; and an additional \$1,700,000 in fiscal 2002.
- B.** A citizen complaint has been filed against members of the Board and management in Ottawa County Common Pleas Court alleging various improprieties. A special prosecutor has been appointed to review the complaint. Management is of the opinion that the ultimate disposition of this complaint will not have any material affect on the financial statements.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE PERIOD ENDED JUNE 30, 2000**

<b>FEDERAL GRANTOR</b> Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies	84.010	C1-S1-99 C1-S1-00
Total Title 1		
Migrant Education - Basic State Grant Program	84.011	MG-S1-99 MG-S1-00
Total Migrant Education		
Innovative Education Program Strategies	84.298	C2-S1-99 C2-S1-00
Total Innovative Education Program Strategies		
Special Education - Grants to States	84.027	6B-SF-99 6B-SF-00
Total Special Education		
Safe and Drug Free School and Communities - State Grants	84.186	DR-S1-99
Total Ohio Department of Education		
<i>Passed through Penta County Joint Vocational School</i>		
Vocational Education - Basic Grants to States	84.048	2B-00-00
Total United States Department of Education		
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<i>Passed Through Ohio Department of Education:</i>		
Dependent Care Plan Subsidy	93.673	DC-S1-99 DC-S1-00
Medical Assistance Program	93.778	-
Total United States Department of Health and and Human Services		
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education:</i>		
Nutrition Cluster:		
Food Distribution Program	10.550	-
National School Lunch Program	10.555	03-PU-00-99 03-PU-00-2000 04-PU-00-99 04-PU-00-2000
Total United States Department of Agriculture - Nutrition Cluster		

**TOTAL FEDERAL FINANCIAL ASSISTANCE**

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

<u>Receipts</u>	<u>Non-cash Receipts</u>	<u>Disbursements</u>	<u>Non-cash Disbursements</u>
		\$9,553	
\$84,086		75,159	
84,086		84,712	
		631	
9,000		8,341	
9,000		8,972	
1,411		2,849	
10,493		10,074	
11,904		12,923	
		14,995	
134,412		121,770	
134,412		136,765	
		8,946	
8,946		8,946	
248,348		252,318	
		998	
998		998	
249,346		253,316	
		377	
		18,955	
		19,332	
15,915		15,915	
15,915		35,247	
	53,903		53,903
11,230		11,230	
26,818		26,818	
21,530		21,530	
50,542		50,542	
110,120	53,903	110,120	53,903
<b>\$375,381</b>	<b>\$53,903</b>	<b>\$398,683</b>	<b>\$53,903</b>

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

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





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

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

To the Board of Education:

We have audited the financial statements of the Benton-Carroll-Salem Local School District, Ottawa County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated February 1, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 1, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 1, 2001.

Benton-Carroll-Salem Local School District  
Ottawa County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

February 1, 2001



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

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Benton-Carroll-Salem Local School District, Ottawa County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

**Internal Control Over Compliance**

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

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

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

**Jim Petro**  
Auditor of State

February 1, 2001

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2000**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Grants to States - CFDA # 84.027
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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

**OTTAWA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 22, 2001**