

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

**REGULATORY CASH BASIS FINANCIAL STATEMENTS  
(AUDITED)**

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019*



OHIO AUDITOR OF STATE  
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Benton-Carroll-Salem Local School District, Ottawa County, prepared by Julian & Grube, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

February 20, 2020

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

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

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**Independent Auditor's Report**

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

To the Board of Education:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and the related notes of the Benton-Carroll-Salem Local School District, Ottawa County, Ohio, as of and for the fiscal year ended June 30, 2019.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

***Basis for Adverse Opinion***

As described in Note 2.D of the financial statements, the Benton-Carroll-Salem Local School District prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2.D and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Benton-Carroll-Salem Local School District as of June 30, 2019, and the respective changes in financial position thereof for the fiscal year then ended.

***Other Matters***

***Supplementary Information***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is also not a required part of the financial statements.

Because of the significance of the matter described in the *Basis for Adverse Opinion* paragraph, it is inappropriate to express and we do not express an opinion on the supplementary information referred to above.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020, on our consideration of the Benton-Carroll-Salem Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Benton-Carroll-Salem Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
January 27, 2020

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

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCES (REGULATORY CASH BASIS) - ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

|   | Governmental Fund Types |                    |                      | Totals<br>(Memorandum<br>Only) |
|---|-------------------------|--------------------|----------------------|--------------------------------|
|   | General                 | Special<br>Revenue | Capital<br>Projects  |                                |
| <b>Cash Receipts</b>                                  |                         |                    |                      |                                |
| From local sources:                                   |                         |                    |                      |                                |
| Property taxes . . . . .                              | \$ 9,381,378            | \$ -               | \$ 323,845           | \$ 9,705,223                   |
| Tuition. . . . .                                      | 987,467                 | -                  | -                    | 987,467                        |
| Earnings on investments . . . . .                     | 379,072                 | 231                | -                    | 379,303                        |
| Charges for services . . . . .                        | -                       | 374,807            | -                    | 374,807                        |
| Extracurricular. . . . .                              | 120,175                 | 250,298            | -                    | 370,473                        |
| Classroom materials and fees . . . . .                | 81,147                  | 1,917              | -                    | 83,064                         |
| Rental income . . . . .                               | 2,950                   | -                  | -                    | 2,950                          |
| Contributions and donations . . . . .                 | 13,063                  | 66,309             | -                    | 79,372                         |
| Other local revenues . . . . .                        | 36,020                  | 51,970             | -                    | 87,990                         |
| Intergovernmental - state . . . . .                   | 9,105,083               | 40,479             | 22,474               | 9,168,036                      |
| Intergovernmental - federal . . . . .                 | 52,071                  | 872,268            | -                    | 924,339                        |
| <i>Total Cash Receipts</i> . . . . .                  | <u>20,158,426</u>       | <u>1,658,279</u>   | <u>346,319</u>       | <u>22,163,024</u>              |
| <b>Cash Disbursements</b>                             |                         |                    |                      |                                |
| Current:  |                         |                    |                      |                                |
| Instruction:  |                         |                    |                      |                                |
| Regular. . . . .                                      | 7,995,121               | -                  | -                    | 7,995,121                      |
| Special . . . . .                                     | 1,815,752               | 372,269            | -                    | 2,188,021                      |
| Vocational . . . . .                                  | 9,470                   | -                  | -                    | 9,470                          |
| Adult/continuing . . . . .                            | -                       | 33                 | -                    | 33                             |
| Other . . . . .                                       | 212,670                 | -                  | -                    | 212,670                        |
| Support services:                                     |                         |                    |                      |                                |
| Pupil . . . . .                                       | 1,519,430               | 26,000             | -                    | 1,545,430                      |
| Instructional staff . . . . .                         | 37,866                  | 49,780             | -                    | 87,646                         |
| Board of education . . . . .                          | 117,697                 | -                  | -                    | 117,697                        |
| Administration . . . . .                              | 1,718,673               | 74,071             | -                    | 1,792,744                      |
| Fiscal . . . . .                                      | 507,848                 | -                  | 6,232                | 514,080                        |
| Business. . . . .                                     | 340                     | -                  | -                    | 340                            |
| Operations and maintenance . . . . .                  | 1,958,402               | -                  | -                    | 1,958,402                      |
| Pupil transportation . . . . .                        | 945,229                 | -                  | 158,192              | 1,103,421                      |
| Central . . . . .                                     | 223,329                 | -                  | -                    | 223,329                        |
| Operation of non-instructional services:              |                         |                    |                      |                                |
| Other operation of non-instructional. . . . .         | 9,101                   | 82,079             | -                    | 91,180                         |
| Food service operations. . . . .                      | -                       | 647,760            | -                    | 647,760                        |
| Extracurricular activities . . . . .                  | 513,433                 | 291,922            | -                    | 805,355                        |
| Facilities acquisition and construction. . . . .      | 120                     | -                  | 454,404              | 454,524                        |
| <i>Total Cash Disbursements</i> . . . . .             | <u>17,584,481</u>       | <u>1,543,914</u>   | <u>618,828</u>       | <u>19,747,223</u>              |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>2,573,945</u>        | <u>114,365</u>     | <u>(272,509)</u>     | <u>2,415,801</u>               |
| <b>Other Financing Receipts (Disbursements)</b>       |                         |                    |                      |                                |
| Transfers in. . . . .                                 | -                       | -                  | 2,300,000            | 2,300,000                      |
| Transfers (out) . . . . .                             | (2,300,000)             | -                  | -                    | (2,300,000)                    |
| Reduction of prior year expenditure. . . . .          | 5,322                   | -                  | -                    | 5,322                          |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(2,294,678)</u>      | <u>-</u>           | <u>2,300,000</u>     | <u>5,322</u>                   |
| Net Change in Fund Cash Balances . . . . .            | 279,267                 | 114,365            | 2,027,491            | 2,421,123                      |
| <i>Fund Cash Balances, July 1</i> . . . . .           | <u>5,973,983</u>        | <u>457,151</u>     | <u>10,965,989</u>    | <u>17,397,123</u>              |
| <b>Fund Cash Balances, June 30</b>                    |                         |                    |                      |                                |
| Restricted . . . . .                                  | -                       | 583,960            | 1,078,257            | 1,662,217                      |
| Committed . . . . .                                   | 397,952                 | -                  | 11,915,223           | 12,313,175                     |
| Assigned. . . . .                                     | 1,194,978               | -                  | -                    | 1,194,978                      |
| Unassigned (deficit). . . . .                         | 4,660,320               | (12,444)           | -                    | 4,647,876                      |
| <i>Fund Cash Balances, June 30</i> . . . . .          | <u>\$ 6,253,250</u>     | <u>\$ 571,516</u>  | <u>\$ 12,993,480</u> | <u>\$ 19,818,246</u>           |

*The notes to the financial statements are an integral part of this statement*

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

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCES (REGULATORY CASH BASIS) - ALL FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

|   | <b>Agency</b> |
|---|---------------|
| <b>Operating Cash Receipts</b>                      |               |
| Extracurricular . . . . .                           | \$ 130,428    |
| Contributions and donations. . . . .                | 14,216        |
| Investment earnings. . . . .                        | 72            |
| <i>Total Operating Cash Receipts</i> . . . . .      | 144,716       |
| <b>Operating Cash Disbursements</b>                 |               |
| Other. . . . .                                      | 129,911       |
| <i>Total Operating Cash Disbursements</i> . . . . . | 129,911       |
| <i>Net Change in Fund Cash Balances</i> . . . . .   | 14,805        |
| <b>Fund Cash Balances, July 1.</b> . . . . .        | 87,788        |
| <b>Fund Cash Balances, June 30.</b> . . . . .       | \$ 102,593    |

*The notes to the financial statements are an integral part of this statement*

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

The District currently operates three instructional buildings, one administrative building, and one bus garage. The District is staffed by 119 non-certified employees and 99 certified full-time teaching personnel and administrators who provide services to 1,521 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northern Ohio Educational Computer Association

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of forty-one public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the Chairman of each of the operating committees, and a representative from the fiscal agent. All revenues are generated from a combination of State funding and annual fees-per-student charged to participating school districts. Financial information is available from Matthew Bauer, Treasurer for the North Point Educational Service Center, who serves as fiscal agent, at 4918 Milan Road, Sandusky, Ohio 44870.

Bay Area Council of Governments

The Bay Area Council of Governments (BACG) consists of twenty-six school districts representing seven counties (Crawford, Erie, Huron, Ottawa, Sandusky, Seneca and Wood). This jointly governed organization was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through BACG are natural gas and insurance. The only cost to the District is an administrative charge if it participates in purchasing through the BACG. The membership of BACG consists of one elected representative from each of the seven counties, the Superintendent of the fiscal agent, and two non-voting members (administrator and fiscal agent). Members of the BACG serve two-year terms. Financial information is available from Matthew Bauer, Treasurer for the North Point Educational Service Center, who serves as fiscal agent, at 4918 Milan Road, Sandusky, Ohio 44870.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Northwestern Ohio Educational Research Council, Inc.

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

*PUBLIC ENTITY RISK POOLS*

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

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

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

The San-Ott Insurance Consortium (the "Consortium")

The District participates in a shared risk pool, with participants from Sandusky and Ottawa Counties. The Consortium is governed by an Assembly, which consists of one representative from each participant (usually the Superintendent or designee). The Assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services. Financial information can be obtained by writing to San-Ott Consortium, Cajon Keeton, Treasurer, 11685 West State Route 163, Oak Harbor, Ohio 43449.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

Schools of Ohio Risk Sharing Authority

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

**B. Fund Accounting**

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. The following are the District's governmental fund types:

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Special revenue funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects and debt service) that are legally restricted to disbursements for specified purposes. The District had the following significant special revenue funds:

Food service fund - This fund is used to account for federal and state monies which assist in cafeteria operations, as well as disbursements and receipts related to the sale of lunches and breakfasts to students.

IDEA Part B, special education fund - This fund is used to account for federal grants to assist in providing an appropriate public education to all children with disabilities.

Capital projects funds - The capital projects funds are used to account for financial resources that are restricted or committed for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The District had the following significant capital projects funds:

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

Permanent Improvement Fund - The fund is to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Ohio Rev. Code.

**PROPRIETARY FUNDS**

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. Proprietary funds are classified as either enterprise or internal service. The District has no proprietary funds.

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on net cash position and changes in net cash position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature and do not involve measurement of results of operations. The District does not have any trust funds. The District has agency funds that account for student activities and Ohio High School Athletic Association (OHSAA) events.

**C. Basis of Presentation**

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental and fiduciary fund types which are organized on a fund type basis.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**D. Basis of Accounting**

Although required by Ohio Admin. Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with GAAP. This basis of accounting is referred to as the regulatory cash basis and is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of this regulatory cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in this financial statement.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the fund level of disbursements, the District presents the budgetary comparisons by fund type, reported in Note 10.

Tax Budget:

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriations measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in Note 10 reflect the amounts in the final amended certificate of estimated resources issued during the fiscal year.

Appropriations:

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

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

The appropriations resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported in Note 10 as the final budgeted amounts represent the final appropriation amounts passed by the Board.

Encumbrances:

Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Disbursements may not legally exceed budgeted appropriations at the fund level.

A summary of budgetary activity appears in Note 10.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records.

During fiscal year 2019, investments were limited to negotiable certificates of deposit (negotiable CDs), federal agency securities, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). In accordance with the cash basis of accounting, investments are reported at cost, except for STAR Ohio.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The District invested in STAR Ohio. 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest receipts credited to the general fund during fiscal year 2019 amounted to \$379,072, which includes \$255,163 assigned from other District funds.

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

**G. Inventory and Prepaid Items**

The District reports cash disbursements for inventory and prepaid items when paid. These items are not reflected as assets.

**H. Capital Assets**

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

**I. Interfund Balances**

On the financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities under the cash basis of accounting.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**J. Compensated Absences**

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

**K. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability and net OPEB asset, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**L. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the cash disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postemployment healthcare.

**M. Long-Term Obligations**

Long-term obligations are not recognized as liabilities under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for principal and interest payments, bond issuance costs, and payments to refunded bond escrow agent. As of June 30, 2019, the District does not have any long-term obligations related to debt agreements or capital lease obligations.

**N. Fund Cash Balance**

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

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

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

**O. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

Cash balances at June 30, 2019 included the following individual fund deficit:

| <u>Special revenue fund</u>     | <u>Deficit</u> |
|---------------------------------|----------------|
| Title I, Disadvantaged Children | \$ 12,444      |

This deficit cash balance resulted from a lag between disbursements made by the District under Ohio Revised Code Section 3315.20.

**B. Compliance**

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

**C. Change in Accounting Principles**

For fiscal year 2019, the District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair 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, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

**A. Cash on Hand**

At June 30, 2019, the District had \$5,550 in undeposited cash on hand.

**B. Cash in Segregated Accounts**

At June 30, 2019, the District had \$5,275 on deposit with Croghan Colonial Bank. This amount is included in the total amount of "Deposits with Financial Institutions" below.

**C. Deposits with Financial Institutions**

At June 30, 2019, the carrying amount of all District deposits was \$11,774,749 and the bank balance of all District deposits was \$12,380,762. Of the bank balance, \$6,760,860 was covered by the FDIC and \$5,619,902 was collateralized through the Ohio Pooled Collateral System (OPCS).

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the District financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**D. Investments**

As of June 30, 2019, the District had the following investments and maturities:

| <u>Investment Type</u> | <u>Carrying Value</u> | <u>6 Months or Less</u> | <u>Investment Maturities</u> |                        |                        |                               |
|------------------------|-----------------------|-------------------------|------------------------------|------------------------|------------------------|-------------------------------|
|                        |                       |                         | <u>7 to 12 Months</u>        | <u>13 to 18 Months</u> | <u>19 to 24 Months</u> | <u>Greater than 24 Months</u> |
| STAR Ohio              | \$ 3,681,540          | \$ 3,681,540            | \$ -                         | \$ -                   | \$ -                   | \$ -                          |
| Negotiable CD          | 3,959,000             | 744,000                 | 1,736,000                    | 496,000                | 248,000                | 735,000                       |
| FHLB                   | <u>500,000</u>        | -                       | -                            | -                      | -                      | <u>500,000</u>                |
| Total                  | <u>\$ 8,140,540</u>   | <u>\$ 4,425,540</u>     | <u>\$ 1,736,000</u>          | <u>\$ 496,000</u>      | <u>\$ 248,000</u>      | <u>\$ 1,235,000</u>           |

The weighted average maturity of investments is 0.92 years.

*Interest Rate Risk:* Interest rate risk arises when potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The federal agency security was rated AA+ and Aaa by Standard and Poor's and Moody's Investor Services, respectively. The negotiable CDs were not rated but are fully insured by the FDIC. The District's investment policy does not address credit risk beyond the requirements of State statutes.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency security is exposed to custodial credit risk in that it is uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2019:

| <u>Investment Type</u> | <u>Carrying Value</u> | <u>% to Total</u> |
|------------------------|-----------------------|-------------------|
| STAR Ohio              | \$ 3,681,540          | 45.22             |
| Negotiable CD          | 3,959,000             | 48.63             |
| FHLB                   | <u>500,000</u>        | <u>6.15</u>       |
| Total                  | <u>\$ 8,140,540</u>   | <u>100.00</u>     |

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**E. Reconciliation of Cash and Investments to the Combined Statements of Receipts, Disbursements and Changes on Fund Cash Balances**

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the financial statements as of June 30, 2019:

|  |                      |
|--|----------------------|
| <u>Cash and investments per note disclosure</u>    |                      |
| Carrying amount of deposits                        | \$ 11,774,749        |
| Investments  | 8,140,540            |
| Cash on hand                                       | <u>5,550</u>         |
| Total  | <u>\$ 19,920,839</u> |
| <u>Fund cash balances per financial statements</u> |                      |
| Governmental fund types                            | \$ 19,818,246        |
| Agency funds                                       | <u>102,593</u>       |
| Total  | <u>\$ 19,920,839</u> |

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax receipts received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Ottawa County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 5 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2019 taxes were collected are:

|  | 2018 Second<br>Half Collections |                | 2019 First<br>Half Collections |                |
|--|---------------------------------|----------------|--------------------------------|----------------|
|  | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate  | \$ 286,026,930                  | 78.21          | \$ 296,197,270                 | 74.42          |
| Public utility personal                            | <u>79,691,550</u>               | <u>21.79</u>   | <u>101,819,840</u>             | <u>25.58</u>   |
| Total  | <u>\$ 365,718,480</u>           | <u>100.00</u>  | <u>\$ 398,017,110</u>          | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation for: |                                 |                |                                |                |
| General operations                                 | \$ 32.63                        |                | \$ 36.38                       |                |
| Permanent improvement                              | 1.50                            |                | 1.50                           |                |

**NOTE 6 - 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 2019, the District contracted with the Schools of Ohio Risk Sharing Authority (SORSA) (See Note 2.A.) for property, crime, general liability, auto liability/physical damage, and educator’s legal liability insurances. The limit of liability coverage is \$11,000,000, with a \$13,000,000 annual aggregate under general liability. There is no deductible for any liability loss except under the educator’s legal liability, which is subject to a \$5,000 deductible. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from fiscal year 2018.

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

For fiscal year 2019, the District participated in the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan (GRP) (See Note 2.A.), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 6 - RISK MANAGEMENT - (Continued)**

**C. Group Health Insurance**

The District has joined together with other school districts in the area to form the San-Ott Insurance Consortium (the "Consortium"), whose purpose is to provide health coverage and benefits to and for the eligible employees of Consortium members and their dependents. The District pays premiums to the Consortium based upon the benefits structure selected.

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

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                                | Eligible to<br>Retire after<br>August 1, 2017  |
|------------------------------|---|--|
| Full benefits                | Age 65 with 5 years of services credit; or<br>Any age with 30 years of service credit | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit; or<br>Age 55 with 25 years of service credit   | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$358,662 for fiscal year 2019.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,135,095 for fiscal year 2019.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

|  | SERS                | STRS                | Total         |
|--|---------------------|---------------------|---------------|
| Proportion of the net pension liability prior measurement date   | 0.08610440%         | 0.06959399%         |               |
| Proportion of the net pension liability current measurement date | <u>0.07960860%</u>  | <u>0.06716852%</u>  |               |
| Change in proportionate share                                    | <u>-0.00649580%</u> | <u>-0.00242547%</u> |               |
| Proportionate share of the net pension liability                 | \$ 4,559,332        | \$ 14,768,849       | \$ 19,328,181 |

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

|  |  |
|--|--|
| Wage inflation                               | 3.00%  |
| Future salary increases, including inflation | 3.50% to 18.20%  |
| COLA or ad hoc COLA                          | 2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement |
| Investment rate of return                    | 7.50% net of investments expense, including inflation  |
| Actuarial cost method                        | Entry age normal (level percent of payroll)  |

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| Asset Class            | Target<br>Allocation | Long Term Expected<br>Real Rate of Return |
|------------------------|----------------------|---|
| Cash                   | 1.00 %               | 0.50 %                                    |
| US Equity              | 22.50                | 4.75                                      |
| International Equity   | 22.50                | 7.00                                      |
| Fixed Income           | 19.00                | 1.50                                      |
| Private Equity         | 10.00                | 8.00                                      |
| Real Assets            | 15.00                | 5.00                                      |
| Multi-Asset Strategies | 10.00                | 3.00                                      |
| Total                  | <u>100.00 %</u>      |   |

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

|  | 1% Decrease<br>(6.50%) | Current<br>Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share<br>of the net pension liability | \$ 6,422,163           | \$ 4,559,332                        | \$ 2,997,473           |

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

|                                      | <u>July 1, 2018</u>                                       |
|--------------------------------------|---|
| Inflation                            | 2.50%   |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment rate of return            | 7.45%, net of investment<br>expenses, including inflation |
| Payroll increases                    | 3.00%   |
| Cost-of-living adjustments<br>(COLA) | 0.0%, effective July 1, 2017                              |

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u>   | <u>Target<br/>Allocation**</u> | <u>Long Term Expected<br/>Real Rate of Return *</u> |
|----------------------|--------------------------------|---|
| Domestic Equity      | 28.00 %                        | 7.35 %  |
| International Equity | 23.00                          | 7.55  |
| Alternatives         | 17.00                          | 7.09  |
| Fixed Income         | 21.00                          | 3.00  |
| Real Estate          | 10.00                          | 6.00  |
| Liquidity Reserves   | 1.00                           | 2.25  |
| Total                | <u>100.00 %</u>                |   |

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\*The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

|  | 1% Decrease<br>(6.45%) | Current<br>Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share<br>of the net pension liability | \$ 21,567,960          | \$ 14,768,849                       | \$ 9,014,324           |

**NOTE 8 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset**

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability/asset represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)**

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$43,840.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$57,124 for fiscal year 2019.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability/Asset***

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

|   | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u> |
|---|---------------------|---------------------|--------------|
| Proportion of the net OPEB liability prior measurement date         | 0.08731230%         | 0.06959399%         |              |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.08080480%</u>  | <u>0.06716852%</u>  |              |
| Change in proportionate share                                       | <u>-0.00650750%</u> | <u>-0.00242547%</u> |              |
| Proportionate share of the net OPEB liability                       | \$ 2,241,743        | \$ -                | \$ 2,241,743 |
| Proportionate share of the net OPEB asset                           | \$ -                | \$ 1,079,329        | \$ 1,079,329 |

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

|  |  |
|--|--|
| Wage inflation   | 3.00%  |
| Future salary increases, including inflation   | 3.50% to 18.20%  |
| Investment rate of return  | 7.50% net of investments<br>expense, including inflation |
| Municipal bond index rate:   |  |
| Measurement date   | 3.62%  |
| Prior measurement date   | 3.56%  |
| Single equivalent interest rate, net of plan investment expense,<br>including price inflation: |  |
| Measurement date   | 3.70%  |
| Prior measurement date   | 3.63%  |
| Medical trend assumption:  |  |
| Medicare   | 5.375 to 4.75%   |
| Pre-Medicare   | 7.25 to 4.75%  |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash                   | 1.00 %                       | 0.50 %  |
| US Stocks              | 22.50                        | 4.75  |
| Non-US Stocks          | 22.50                        | 7.00  |
| Fixed Income           | 19.00                        | 1.50  |
| Private Equity         | 10.00                        | 8.00  |
| Real Assets            | 15.00                        | 5.00  |
| Multi-Asset Strategies | 10.00                        | 3.00  |
| Total                  | <u>100.00 %</u>              |   |

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates* - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

|   | 1% Decrease<br>(2.70%) | Current<br>Discount Rate<br>(3.70%) | 1% Increase<br>(4.70%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share<br>of the net OPEB liability | \$ 2,720,179           | \$ 2,241,743                        | \$ 1,862,912           |

  

|   | 1% Decrease<br>(6.25 % decreasing<br>to 3.75 %) | Current<br>Trend Rate<br>(7.25 % decreasing<br>to 4.75 %) | 1% Increase<br>(8.25 % decreasing<br>to 5.75 %) |
|---|---|---|---|
| District's proportionate share<br>of the net OPEB liability | \$ 1,808,676                                    | \$ 2,241,743  | \$ 2,815,203                                    |

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

|                                      | July 1, 2018  | July 1, 2017  |
|--------------------------------------|---|---|
| Inflation                            | 2.50%   | 2.50%   |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment rate of return            | 7.45%, net of investment<br>expenses, including inflation | 7.45%, net of investment<br>expenses, including inflation |
| Payroll increases                    | 3.00%   | 3.00%   |
| Cost-of-living adjustments<br>(COLA) | 0.00%   | 0.00%, effective July 1, 2017                             |
| Discounted rate of return            | 7.45%   | N/A   |
| Blended discount rate of return      | N/A   | 4.13%   |
| Health care cost trends              |   | 6 to 11% initial, 4.50% ultimate                          |
|                                      | Initial   | Ultimate  |
| Medical                              |   |   |
| Pre-Medicare                         | 6.00%   | 4.00%   |
| Medicare                             | 5.00%   | 4.00%   |
| Prescription Drug                    |   |   |
| Pre-Medicare                         | 8.00%   | 4.00%   |
| Medicare                             | -5.23%  | 4.00%   |

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

*Assumption Changes Since the Prior Measurement Date* - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

*Benefit Term Changes Since the Prior Measurement Date* - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class          | Target<br>Allocation** | Long Term Expected<br>Real Rate of Return * |
|----------------------|------------------------|---|
| Domestic Equity      | 28.00 %                | 7.35 %                                      |
| International Equity | 23.00                  | 7.55  |
| Alternatives         | 17.00                  | 7.09  |
| Fixed Income         | 21.00                  | 3.00  |
| Real Estate          | 10.00                  | 6.00  |
| Liquidity Reserves   | 1.00                   | 2.25  |
| Total                | <u>100.00 %</u>        |   |

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\* The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

|   | 1% Decrease<br>(6.45%) | Current<br>Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share<br>of the net OPEB asset | \$ 925,087             | \$ 1,079,329                        | \$ 1,208,964           |
|   |                        |                                     |                        |
|   | 1% Decrease            | Current<br>Trend Rate               | 1% Increase            |
| District's proportionate share<br>of the net OPEB asset | \$ 1,201,645           | \$ 1,079,329                        | \$ 955,108             |

**NOTE 9 - OTHER EMPLOYEE BENEFITS**

**Retirement Incentive**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - BUDGETARY BASIS OF ACCOUNTING**

Budgetary activity for the fiscal year ended June 30, 2019 follows:

**Budgeted vs. Actual Receipts**

| Fund Type        | Budgeted Receipts    | Actual Receipts      | Variance            |
|------------------|----------------------|----------------------|---------------------|
| General          | \$ 20,341,317        | \$ 20,163,748        | \$ (177,569)        |
| Special Revenue  | 1,836,020            | 1,658,279            | (177,741)           |
| Capital Projects | 1,113,426            | 2,646,319            | 1,532,893           |
| Total            | <u>\$ 23,290,763</u> | <u>\$ 24,468,346</u> | <u>\$ 1,177,583</u> |

**Budgeted vs. Actual Budgetary Basis Expenditures**

| Fund Type        | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance            |
|------------------|----------------------------|---------------------------|---------------------|
| General          | \$ 20,790,408              | \$ 20,169,002             | \$ 621,406          |
| Special Revenue  | 1,837,598                  | 1,639,745                 | 197,853             |
| Capital Projects | 1,524,324                  | 624,328                   | 899,996             |
| Total            | <u>\$ 24,152,330</u>       | <u>\$ 22,433,075</u>      | <u>\$ 1,719,255</u> |

On the financial statements, the general fund receipts and disbursements include certain special revenue funds activities in accordance with GASB 54. These special revenue funds are included in the general fund activity presented above.

**NOTE 11 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 12 - SET-ASIDES**

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

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

|   | <u>Capital<br/>Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2018             | \$ -                            |
| Current year set-aside requirement          | 279,964                         |
| Current year offsets                        | <u>(2,646,319)</u>              |
| Total                                       | <u>\$ (2,366,355)</u>           |
| Balance carried forward to fiscal year 2020 | <u>\$ -</u>                     |
| Set-aside balance June 30, 2019             | <u><u>\$ -</u></u>              |

**NOTE 13 - INTERFUND TRANSACTIONS**

Interfund transfers during fiscal year 2019 consisted of the following, as reported on the fund financial statements:

| <u>Transfers from general fund to:</u> | <u>Amount</u>       |
|--|---------------------|
| Capital projects fund                  | <u>\$ 2,300,000</u> |

Transfers are used to (1) move cash receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 14 - SUBSEQUENT EVENTS**

In November 2019, a five-year emergency levy issued by the District was passed and will generate \$1,500,000 per year.

## **SUPPLEMENTARY INFORMATION**

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| FEDERAL GRANTOR/<br>SUB GRANTOR/<br>PROGRAM TITLE   | CFDA<br>NUMBER | (C)<br>PASS-THROUGH<br>GRANT<br>NUMBER | (A)<br>CASH<br>FEDERAL<br>DISBURSEMENTS |
|---|----------------|--|---|
| <b>U.S. DEPARTMENT OF AGRICULTURE<br/>PASSED THROUGH THE<br/>OHIO DEPARTMENT OF EDUCATION</b> |                |  |   |
| <i>Child Nutrition Cluster:</i>   |                |  |   |
| (E) School Breakfast Program  | 10.553         | 2019                                   | \$ 67,189                               |
| (D) National School Lunch Program - Food Donation   | 10.555         | 2019                                   | 46,599                                  |
| (E) National School Lunch Program   | 10.555         | 2019                                   | 223,739                                 |
| <b>Total National School Lunch Program</b>  |                |  | <b>270,338</b>                          |
| <b>Total U.S. Department of Agriculture and Child Nutrition Cluster</b>                       |                |  | <b>337,527</b>                          |
| <b>U.S. DEPARTMENT OF EDUCATION<br/>PASSED THROUGH THE<br/>OHIO DEPARTMENT OF EDUCATION</b>   |                |  |   |
| (G) Title I Grants to Local Educational Agencies  | 84.010         | 2018                                   | 24,297                                  |
| Title I Grants to Local Educational Agencies  | 84.010         | 2019                                   | 129,685                                 |
| <b>Total Title I Grants to Local Educational Agencies</b>                                     |                |  | <b>153,982</b>                          |
| <i>Special Education Cluster (IDEA):</i>  |                |  |   |
| Special Education_Grants to States  | 84.027         | 2019                                   | 319,972                                 |
| Special Education_Grants to States - Catastrophic   | 84.027         | 2019                                   | 2,009                                   |
| <b>Total Special Education _Grants to States</b>  |                |  | <b>321,981</b>                          |
| (F) Special Education_Preschool Grants  | 84.173         | 2019                                   | 3,719                                   |
| <b>Total Special Education Cluster (IDEA)</b>   |                |  | <b>325,700</b>                          |
| Supporting Effective Instruction State Grants   | 84.367         | 2019                                   | 37,199                                  |
| Student Support and Academic Enrichment Program   | 84.424         | 2019                                   | 14,947                                  |
| <b>Total U.S. Department of Education</b>   |                |  | <b>531,828</b>                          |
| <b>Total Federal Financial Assistance</b>   |                |  | <b>\$ 869,355</b>                       |

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

- (A) This schedule includes the federal award activity of the Benton-Carroll-Salem Local School District under programs of the federal government for the fiscal year ended June 30, 2019 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Benton-Carroll-Salem Local School District, it is not intended to and does not present the fund balances or changes in receipts and disbursements of the Benton-Carroll-Salem Local School District.
- (B) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimus indirect cost rate.
- (C) OAKS did not assign pass through numbers for fiscal year 2019.
- (D) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (E) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Passed through the North Point Educational Service Center.
- (G) Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, School District's can transfer unobligated amounts to the subsequent fiscal year or a similar program. During fiscal year 2019, the Benton-Carroll-Salem Local School District, with the Ohio Department of Education's consent, transferred \$2,113 from the 2018 Grant Year Student Support and Academic Enrichment Program (CFDA #84.424) to the 2018 Grant Year Title I Grants to Local Educational Agencies (CFDA #84.010).



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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Benton-Carroll-Salem Local School District, Ottawa County, Ohio, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2020, wherein we issued an adverse opinion on the Benton-Carroll-Salem Local School District's financial statements because the Benton-Carroll-Salem Local School District did not follow accounting principles generally accepted in the United States of America as required by Ohio Administrative Code Section 117-2-03.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Benton-Carroll-Salem Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

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

The Benton-Carroll-Salem Local School District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not subject the Benton-Carroll-Salem Local School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



Julian & Grube, Inc.  
January 27, 2020



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

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

**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Federal Program and on Internal Control Over  
Compliance Required by the Uniform Guidance**

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

To the Board of Education:

***Report on Compliance for Each Major Federal Program***

We have audited the Benton-Carroll-Salem Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Benton-Carroll-Salem Local School District's major federal programs for the fiscal year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Benton-Carroll-Salem Local School District's major federal programs.

***Management's Responsibility***

The Benton-Carroll-Salem Local School District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the Benton-Carroll-Salem Local School District's compliance for each of the Benton-Carroll-Salem Local School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Benton-Carroll-Salem Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Programs***

In our opinion, the Benton-Carroll-Salem Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2019.

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

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
January 27, 2020

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT**  
**OTTAWA COUNTY, OHIO**  
**SCHEDULE OF FINDINGS**  
*2 CFR § 200.515*  
**JUNE 30, 2019**

| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |   |   |
|--|---|---|
| <i>(d)(1)(i)</i>                       | <i>Type of Financial Statement Opinion</i>  | Adverse   |
| <i>(d)(1)(ii)</i>                      | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>                  | Yes   |
| <i>(d)(1)(ii)</i>                      | <i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i> | No  |
| <i>(d)(1)(iii)</i>                     | <i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>                        | Yes   |
| <i>(d)(1)(iv)</i>                      | <i>Were there any material internal control weaknesses reported for major federal programs?</i>                       | No  |
| <i>(d)(1)(iv)</i>                      | <i>Were there any significant deficiencies in internal control reported for major federal programs?</i>               | No  |
| <i>(d)(1)(v)</i>                       | <i>Type of Major Program's Compliance Opinion</i>   | Unmodified  |
| <i>(d)(1)(vi)</i>                      | <i>Are there any reportable findings under 2 CFR 200.516(a)?</i>  | No  |
| <i>(d)(1)(vii)</i>                     | <i>Major Programs (listed):</i>   | Child Nutrition Cluster;<br>Title I Grants to Local Educational Agencies (CFDA #84.010) |
| <i>(d)(1)(viii)</i>                    | <i>Dollar Threshold: Type A/B Programs</i>  | Type A: >\$750,000<br>Type B: all others  |
| <i>(d)(1)(ix)</i>                      | <i>Low Risk Auditee under 2 CFR § 200.520?</i>  | No  |

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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019**

| <b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |          |
|---|----------|
| Finding Number  | 2019-001 |

Noncompliance Citation / Material Weakness

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using accounting principles generally accepted in the United States of America (GAAP).

For fiscal year 2019, the District prepared financial statements in accordance with the regulatory basis of accounting prescribed or permitted by the Auditor of State for governments not required to report in accordance with GAAP as a cost savings measure. This presentation differs from accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures that, while presumably material, cannot be determined at this time.

The District can be fined and various other administrative remedies may be taken against the District. In addition, by not filing the report using GAAP, the District cannot be considered a low risk audit for the Single Audit per the Uniform Guidance.

We recommend the District take the necessary steps to ensure the financial report is prepared in accordance with accounting principles generally accepted in the United States of America.

| <b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b> |
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None



# Benton-Carroll-Salem Local School District

*A community is judged by the schools it keeps.*

11685 West State Route 163 • Oak Harbor, Ohio 43449  
419-898-6210 • www.bcassd.com

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**CORRECTIVE ACTION PLAN**  
*2 CFR § 200.511(c)*  
**JUNE 30, 2019**

| <b>Finding Number</b> | <b>Planned Corrective Action</b>  | <b>Anticipated Completion Date</b> | <b>Responsible Contact Person</b>                            |
|-----------------------|---|------------------------------------|--|
| 2019-001              | Benton-Carroll-Salem Local School District does not have plans to correct the finding. The decision to prepare regulatory cash basis financial statements is a decision the Board of Education believes to be in the best interest of the District. The Board annually evaluates the cost-benefit relationship of preparing GAAP statements, and the cost of preparing GAAP statements outweigh the benefit received. | N/A                                | Cajon Keeton,<br>Treasurer, and the<br>Board of<br>Education |

**BENTON-CARROLL-SALEM LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR § 200.511(b)  
JUNE 30, 2019**

| <b>Finding Number</b> | <b>Year Initially Occurred</b> | <b>Finding Summary</b>  | <b>Status</b>                 | <b>Additional Information</b> |
|-----------------------|--------------------------------|---|-------------------------------|-------------------------------|
| 2018-001              | 2012                           | <u>Noncompliance - Material Weakness</u> - Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(B) require GAAP reporting. The District did not report on a GAAP basis. | Reissued as finding 2019-001. | N/A                           |

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# OHIO AUDITOR OF STATE KEITH FABER



**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  
MARCH 19, 2020**