



**Auditor of State
Betty Montgomery**

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Benjamin Logan Local School District
Logan County
4626 County Road 26
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the accompanying financial statements of the Benjamin Logan Local School District, Logan County, (the School District), as of and for the fiscal year ended June 30, 2003. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to file annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the School District, as of June 30, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

As discussed in Note 3, during the year ended June 30, 2003, the School District changed its method of accounting for financial reporting which resulted in the restatement of beginning fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2004, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 9, 2004

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE:
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Fiduciary Funds	Total (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
From Local Sources:						
Taxes	\$5,485,240	\$1,430,560	\$1,599,260			\$8,515,060
Tuition	46,545					46,545
Transportation Fees	8,629					8,629
Earnings on Investments	118,319					118,319
Extracurricular Activities		224,103				224,103
Classroom Materials and Fees	94,994					94,994
Miscellaneous	59,076	19,106			4,424	82,606
Intergovernmental - State	6,259,692	185,776	136,063	31,690		6,613,221
Intergovernmental - Federal		243,127				243,127
Total Cash Receipts	12,072,495	2,102,672	1,735,323	31,690	4,424	15,946,604
Cash Disbursements:						
Current:						
Instruction:						
Regular	4,923,788	513,769		31,369	2,790	5,471,716
Special	875,459	355,664				1,231,123
Vocational	566,403	1,409				567,812
Other	332,516					332,516
Support services:						
Pupil	314,329	96,672				411,001
Instructional staff	419,379	41,212				460,591
Board of Education	12,332					12,332
Administration	1,021,974	401,064				1,423,038
Fiscal	283,731	31,846	35,244			350,821
Operation and Maintenance	1,205,195	7,218				1,212,413
Pupil transportation	973,605	173,170				1,146,775
Central	126,633	14,981				141,614
Operation of Non-Instructional Services		1,886				1,886
Extracurricular Activities	259,875	124,206				384,081
Facilities Services	98,426					98,426
Debt Service:						
Principal Retirement	16,494		1,205,000			1,221,494
Interest and Fiscal Charges	10,906		445,796			456,702
Total Cash Disbursements	11,441,045	1,763,097	1,686,040	31,369	2,790	14,924,341
Excess of Receipts Over Disbursements	631,450	339,575	49,283	321	1,634	1,022,263
Other Financing Sources (Uses):						
Operating Transfers In		1,661				1,661
Operating Transfers Out		(1,661)				(1,661)
Advances In		27,984				27,984
Advances Out	(36,734)					(36,734)
Proceeds From Sale of Assets	1,559					1,559
Refund of Prior Year Expenditure	12,142					12,142
Total Other Financing Sources (Uses)	(23,033)	27,984				4,951
Excess of Receipts and Other Financing Sources Over Disbursements and Other Uses	608,417	367,559	49,283	321	1,634	1,027,214
Fund Cash Balances, July 1	2,619,663	2,295,400	555,676		2,829	5,473,568
Fund Cash Balances, June 30	\$3,228,080	\$2,662,959	\$604,959	\$321	\$4,463	\$6,500,782
Reserve for Encumbrances, June 30	\$117,929	\$26,198			\$170	\$144,297

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Funds</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise Funds</u>	<u>Agency</u>	
Operating Cash Receipts:			
Sales/Charges for Services	\$506,713		\$506,713
Classroom Material and Fees	3,706		3,706
Extracurricular Activities		183,903	183,903
	<u>510,419</u>	<u>183,903</u>	<u>694,322</u>
Operating Cash Disbursements:			
Personal Services	259,238		259,238
Fringe Benefits	71,094		71,094
Contract Services	15,101		15,101
Materials and Supplies	287,708		287,708
Capital Outlay	8,410		8,410
Other Expenses	13,416	178,977	192,393
	<u>654,967</u>	<u>178,977</u>	<u>833,944</u>
Operating Income (Loss)	<u>(144,548)</u>	<u>4,926</u>	<u>(139,622)</u>
Nonoperating Cash Receipts:			
Grants	95,094		95,094
Miscellaneous	10,679	4,773	15,452
Refund of Prior Year Expenditures		400	400
Interest Revenue	2,931		2,931
	<u>108,704</u>	<u>5,173</u>	<u>113,877</u>
Net Income (Loss) Before Operating Advances	(35,844)	10,099	(25,745)
Advance in	8,700	50	8,750
Net Income (Loss)	(27,144)	10,149	(16,995)
Fund Cash Balances at July 1	194,335	78,950	273,285
Fund Cash Balances at June 30	<u>\$167,191</u>	<u>\$89,099</u>	<u>\$256,290</u>
Reserve for Encumbrances, June 30	<u>\$8,281</u>	<u>\$6,785</u>	<u>\$15,066</u>

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Fund Types/Fund	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	\$11,504,261	\$12,086,196	\$581,935
Special Revenue Funds	2,443,218	2,132,317	(310,901)
Debt Service Funds	1,706,052	1,735,323	29,271
Capital Project Funds	31,690	31,690	
Proprietary:			
Enterprise Funds	593,195	627,823	34,628
Fiduciary:			
Expendable Trust Funds	4,434	4,424	(10)
Total (Memorandum Only)	<u>\$16,282,850</u>	<u>\$16,617,773</u>	<u>\$334,923</u>

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Fund Types/Fund	Prior Year Carryover Appropriations	2003 Appropriations	Total
Governmental:			
General Fund	\$206,750	\$12,524,986	\$12,731,736
Special Revenue Funds	33,365	2,807,009	2,840,374
Debt Service Funds		1,688,797	1,688,797
Capital Project Funds		31,690	31,690
Proprietary:			
Enterprise Funds	7,447	683,985	691,432
Fiduciary:			
Expendable Trust Funds		6,788	6,788
Total (Memorandum Only)	<u>\$247,562</u>	<u>\$17,743,255</u>	<u>\$17,990,817</u>

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

<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding At June 30, 2003</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$11,477,779	\$117,929	\$11,595,708	\$1,136,028
1,764,758	26,198	1,790,956	1,049,418
1,686,040		1,686,040	2,757
31,369		31,369	321
654,967	8,281	663,248	28,184
<u>2,790</u>	<u>170</u>	<u>2,960</u>	<u>3,828</u>
<u><u>\$15,617,703</u></u>	<u><u>\$152,578</u></u>	<u><u>\$15,770,281</u></u>	<u><u>\$2,220,536</u></u>

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**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT

Benjamin Logan Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1969 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 225 square miles, 201 square miles in Logan County, 18 square miles in Hardin County, and six square miles in Union County. It is located in Logan County, and includes the Villages of Belle Center, Rushsylvania, Valley High, Middleburg, West Mansfield, Zanesfield, and East Liberty. The School District is the 282nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. The District is staffed by 97 non-certificated employees, 131 certificated full-time teaching personnel who provide services to 1,997 students and other community members. The School District currently operates three instructional buildings and a garage building.

A. Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Benjamin Logan Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with three significant types of organizations, which includes three jointly governed organizations, two insurance purchasing pools, and a related organization. These organizations include the Western Ohio Computer Organization, the Ohio Hi-Point Joint Vocational School District, the West Central Ohio Special Education Regional Resource Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Logan County Schools Benefit Plan Association, and the Belle Center Free Public Library. These organizations are presented in Notes 11, 12, and 13 to the general purpose financial statements.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles (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 generally accepted accounting principals. This basis of accounting 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording receipts and disbursements in accordance with special restrictions or limitations. 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.

1. Governmental Fund Types

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

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's proprietary fund type:

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

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary funds include expendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund, special cost center level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget

With the passage of House Bill #129 (spring 2001), a county budget commission may waive the submission of a subdivision's annual tax budget. On December 9, 2002, the Logan County Budget Commission adopted a resolution waiving the requirement for the adoption of a tax budget for fiscal year 2003 and all future fiscal years for all school districts within Logan County. In lieu of a full tax budget, the Commission will require the school districts to submit a copy of the five-year forecast, including notes to the forecast, and information regarding outstanding debt annually. This waiver of the tax budget does not change any other financial reporting requirements.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund.

Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, special cost center level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District.

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total special cost center appropriations within a fund must be approved by the Board of Education.

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Investments

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

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

E. Property, Plant and Equipment

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets

F. Unpaid Vacation and Sick Leave

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

G. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

For fiscal year 2003, the District changed its method of accounting for financial reporting from accounting principles generally accepted in the United States of America to a basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting 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. This change has the following effect on fund balance types as previously reported:

	Fund Balance / Retained Earnings June 30, 2002	Accrual Adjustments	Restated Fund Balance July 1, 2002
General	\$1,630,112	\$989,551	\$2,619,663
Special Revenue	2,250,360	45,040	2,295,400
Debt Service	644,674	(88,998)	555,676
Enterprise	267,115	(72,780)	194,335
Expendable Trust	2,829		2,829
Agency Fund		78,950	78,950
Total (Memorandum Only)	<u>\$4,795,090</u>	<u>\$951,769</u>	<u>\$5,746,853</u>

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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories or by savings or deposit accounts including, but not limited to passbook accounts.

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 invested in the following obligations.

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

1. United States treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio)
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. 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.

As of June 30, 2003, the District had \$50 in undeposited cash on hand, which is included in the fund balance.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Deposits: At June 30, 2003, the carrying amount of the District's deposits was \$5,112,693 and the bank balance was \$5,487,737. Of the bank balance, \$203,137 was covered by federal depository insurance and \$5,284,600 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

The District's investment STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified because the investment is not evidenced by securities that exist in physical or book entry form.

<u>Risk Investments</u>	<u>Category</u>	<u>Carrying Value/ Fair Value</u>
Repurchase Agreement	3	\$ 76,434
Star Ohio	N/A	<u>1,567,895</u>
		<u>\$1,644,329</u>

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school 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, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

5. PROPERTY TAX (Continued)

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Logan, Hardin and Union County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other RE	\$174,969,290	71%	\$170,439,170	68%
Public Utility	10,945,190	4%	10,860,090	4%
Tangible Personal Property	61,866,854	25%	67,755,920	28%
Total Assessed Value	<u>\$247,781,334</u>	<u>100%</u>	<u>\$249,055,180</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$41.90		\$41.65	

6. DEBT OBLIGATIONS

A. Debt Obligations

Debt obligations of the School District at June 30, 2003, consisted of the following:

	Principal Outstanding 06/30/02	Additions	Reductions	Principal Outstanding 06/30/03
1994 New School Building	\$5,845,000		\$605,000	\$5,240,000
1997 Elementary and Middle School Building	1,390,000		35,000	1,355,000
Capital Appreciation Bonds	54,113			54,113
1993 New School Building	2,265,000		565,000	1,700,000
Capital Appreciation Bonds	284,108			284,108
Energy Conservation Loan	178,498		16,494	162,004
Long-Term Debt	\$10,016,719		1,221,494	8,795,225
Capital Lease	2,870		631	2,239
Total Long-Term Obligations	<u>\$10,019,589</u>		<u>\$1,222,125</u>	<u>\$8,797,464</u>

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEBT OBLIGATIONS (Continued)

1997 Elementary and Middle School Improvement General Obligation Bonds

Elementary & Middle School General Obligation Bonds - On December 1, 1997, Benjamin Logan Local School District issued \$1,499,113 in voted general obligation bonds for new elementary and middle schools. The bonds were issued for an eighteen year period with final maturity at December 1, 2015. The bonds will be retired from the debt service fund. The bond issue consists of \$745,000 Current Interest Serial Bonds at interest rates ranging from 4.1 to 4.75%, \$54,113 Capital Appreciation Bonds with interest rates at approximately 14.5% (or the rate that, when applied to the original principal amount, compounded semiannually results in maturity amount) for an approximate yield to maturity of 5 to 5.1%, and \$700,000 Current Interest Term Bonds with an interest rate of 5% and yield rate of 5.1%.

The Capital Appreciation Bonds will mature in fiscal years 2010 and 2011. The maturity amount of the bonds is \$355,000.

The Current Interest Serial Bonds will bear interest, payable on June 1 and December 1 of each year, beginning December 1, 1998, until maturity or earlier redemption. The Capital Appreciation bonds will accrue interest, compounded semiannually on June 1 and December 1, from the date of their issuance, but the interest will be payable only at maturity.

Mandatory Sinking Fund Redemption

The Term Bonds maturing on December 1, 2015, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount To Be Redeemed</u>
2012	\$190,000
2013	195,000
2014	205,000

The remaining principal amount of such Current Interest Bonds (\$110,000) will mature at stated maturity on December 1, 2015.

Optional Redemption

Interest on the Current Interest Serial Bonds maturing on or after December 1, 2008, are also subject to prior redemption on or after December 1, 2007, by and at the sole option of the Board, either in whole or in part on any interest payment date and in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
December 1, 2007 through November 30, 2008	101%
December 1, 2008 and thereafter	100%

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEBT OBLIGATIONS (Continued)

1994 New School General Obligation Bonds

New School General Obligation Bonds - On January 1, 1994, the Benjamin Logan Local School District issued \$9,985,000 in voted general obligation bonds for the purpose of constructing a new elementary and middle school. The bonds will be retired from the debt service fund. The Bond issue consists of \$6,725,000 Serial Bonds with interest rates ranging from 2.35% to 4.7% and, \$3,260,000 Term Bonds at 5.2% interest.

The Serial Bonds will bear interest, payable on June 1 and December 1 of each year, beginning December 1, 1994, until maturity or earlier redemption.

The bonds maturing on or after December 1, 2004, are subject to optional redemption by the District prior to maturity, beginning December 1, 2003, and the Term Bonds are subject to mandatory prior redemption.

Mandatory Sinking Fund Redemption

The Term Bonds maturing on December 1, 2010, are subject to mandatory sinking fund redemption in part by lot (with the balance of \$520,000 to be paid at stated maturity on December 1, 2010) at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount To Be Redeemed</u>
2006	\$720,000
2007	710,000
2008	675,000
2009	635,000

Term Bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

Optional Redemption

The Bonds maturing on or after December 1, 2004, are also subject to prior redemption on or after December 1, 2003, by and at the sole option of the Board, either in whole or in part on any interest payment date and in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
December 1, 2003 through November 30, 2004	102%
December 1, 2004 through November 30, 2005	101%
December 1, 2005 and thereafter	100%

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEBT OBLIGATIONS (Continued)

1993 New School General Obligation Bonds

New School General Obligation Bonds - On April 15, 1993, the Benjamin Logan Local School District issued \$6,334,108 in voted general obligation bonds for the construction of a new high school building. The bonds were issued for a fifteen-year period with final maturity at December 1, 2008. The bond issue consists of \$4,940,000 of Current Interest Serial Bonds with interest rates ranging from 2.5 to 15% with yield rates of 2.5 to 5%, and \$284,107 Capital Appreciation bonds with interest rates of 15.8% (or the rate that, when applied to the original principal amount, compounded semi-annually results in the maturity amount) for an approximate yield to maturity of 5.6 to 5.8%, and \$1,110,000 Current Interest Term Bonds with an interest rate of 5.65%. The bonds will be retired from the debt service fund.

The Capital Appreciation Bonds will mature in fiscal years 2004 to 2006. The maturity amount of the bonds is \$1,905,000.

The Current Interest Serial Bonds will bear interest, payable on June 1 and December 1 of each year, beginning December 1, 2008, until maturity or earlier redemption. The Capital Appreciation bonds will accrue interest, compounded semiannually on June 1 and December 1, from the date of their issuance, but the interest will be payable only at maturity.

Mandatory Sinking Fund Redemption

The Current Interest Bonds maturing on December 1, 2008 (Current Interest Term Bonds) are subject to mandatory sinking fund redemption to occur on December 1, 2007, in the principal amount of \$645,000 (with the balance of \$465,000 to be paid at stated maturity on December 1, 2008) at a redemption price equal to 100% of the principal amount redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory requirement.

Optional Redemption

The Current Interest Term Bonds maturing on or after December 1, 2008, are also subject to prior redemption on any date on or after December 1, 2003, by and at the sole option of the Board, either in whole or in part on any interest payment date and in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
December 1, 2003 through November 30, 2004	102%
December 1, 2004 through November 30, 2005	101%
December 1, 2005 and thereafter	100%

The School District's voted legal debt margin was \$13,957,961 with an unvoted debt margin of \$249,055 at June 30, 2003.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEBT OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt at June 30, 2003, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$1,282,515	\$398,012	\$1,680,527
2005	847,290	871,808	1,719,097
2006	873,887	855,906	1,729,792
2007	907,516	833,810	1,741,327
2008	1,497,422	213,789	1,711,211
2009-2013	2,876,596	638,533	3,515,129
2014-2016	510,000	34,000	544,000
Total	<u>\$8,795,226</u>	<u>\$3,845,858</u>	<u>\$12,641,084</u>

7. CAPITALIZED LEASES – LESSEE DISCLOSURE

The District has entered into a capitalized lease for the acquisition of a mail machine.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2003.

<u>Fiscal Year Ending June 30,</u>	<u>Mail Machine</u>
2004	\$ 852
2005	852
2006	852
Total Lease Payments	2,556
Less: Amount Representing Interest	(317)
Present Value of Net minimum Lease Payments	<u>\$2,239</u>

8. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District maintains comprehensive commercial insurance coverage for, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial coverage in any of the past three fiscal years.

The District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$27,417,808 and a 90 percent coinsurance.

The District's fleet insurance has a liability limit of \$1,000,000, \$5,000 for medical payments, and \$1,000,000 for uninsured motorists. The policy includes a \$250 deductible for collision coverage.

The District's liability policy has a limit of \$5,000,000 for each occurrence and \$5,000,000 aggregate.

The District's health, dental, vision and life insurance is provided through Anthem Blue Cross Blue Shield, the insurance provider for the Logan County Schools Benefit Plan Association.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$121,483, \$88,459 and \$80,462, respectively; 100 percent has been contributed for the years 2003, 2002 and 2001.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$687,002, \$534,898, and \$511,132, respectively; 100 percent has been contributed for the years 2003, 2002 and 2001.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, all five members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

10. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$52,846.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 eligible benefit recipients.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

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

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the District, the amount to fund health care benefits, including the surcharge, was \$124,413 for fiscal year 2003.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

11. JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization ("WOCO"). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby Counties. The organization was 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 governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. Financial information can be obtained from Sonny Ivey, who serves as Director, 129 East Court Street, Sidney, Ohio 45365.

Ohio Hi-Point Joint Vocational School - The Ohio Hi-Point Joint Vocational School ("JVS") is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, who serves as Treasurer, 2280 State Route 540, Bellefontaine, Ohio 43311.

West Central Ohio Special Education Regional Resource Center - The West Central Ohio Special Education Regional Resource Center ("SERRC") is a jointly-governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1211 West Lima Street, Suite A, Kenton, Ohio 43326.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

12. RELATED ORGANIZATION

Belle Center Free Public Library - The Belle Center Free Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Benjamin Logan Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Belle Center Free Public Library, Russell Millisor, Clerk/Treasurer, at 103 South Elizabeth Street, PO Box 336, Belle Center, Ohio 44310.

13. INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan) was established through the Ohio School Boards Association (OSBA) as an insurance 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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Logan County Schools Benefit Plan Association – The District participates in the Logan County Schools Benefit Plan Association (the Plan); a public entity shared risk pool consisting of three local school districts, one joint vocational school district and the Logan County Educational Service Center. The District pays monthly premiums to the Plan for employee medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

14. STATUTORY RESERVES

The School District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set-Aside Cash Balance as of June 30, 2002	\$138,404	\$0	\$61,004
Carryover	0	0	0
Required Set-Aside	297,552	297,552	0
Current year BWC refunds			12,506
Qualifying Expenditures	<u>(566,228)</u>	<u>(297,552)</u>	<u>0</u>
Cash Balance Carried Forward to Subsequent Year	<u>\$ (130,272)</u>	<u>\$0</u>	<u>\$73,510</u>

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

14. STATUTORY RESERVES (Continued)

The School District had qualifying disbursements during the year that reduced the textbooks and capital acquisition set-aside amounts to below zero. The School District may, and has chosen to carry forward the excess amount for the textbooks and capital acquisition set-asides to offset set-aside requirements of future years.

In prior years, the School District was also required to set aside money for budget stabilization. S.B. 345 eliminated the requirement for this reserve, however, the School District has continued to maintain and contribute to a budget stabilization reserve established under Ohio Rev. Code Section 5705.13.

15. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

C. State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550		\$55,096		\$55,096
National School Lunch Program		10.555	92,315		92,315	
Total U. S. Department of Agriculture - Nutrition Cluster			92,315	55,096	92,315	55,096
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Eisenhower Professional Development State Grants	MS-S1 02	84.281	(1,264)		6,839	
Safe and Drug-Free Schools and Communities State Grants	DR-S1 02	84.186	123		7,583	
	DR-S1 03	84.186	1,666		934	
Total Safe and Drug-Free Schools and Communities State Grants			1,789		8,517	
Special Education Grants to States	6B-SF 02 P	84.027	50,817		50,817	
	6B-SF 03 P	84.027	30,392		48,031	
Total Special Education Grants to States			81,209		98,848	
Title 1 Grants to Local Educational Agencies	C1-S1 02	84.010	16,072		42,220	
	C1-S1 03	84.010	107,529		114,511	
Total Title 1 Grants to Local Educational Agencies			123,601		156,731	
Innovative Educational Program Strategies	C2-S1 02	84.298	1,737		4,643	
	C2-S1 03	84.298	5,244		4,230	
Total Innovative Educational Program Strategies			6,981		8,873	
Education Technology State Grants	TJ-S1 03	84.318	996			
Class Size Reduction	CR-S1 02	84.340	(447)		924	
Improving Teacher Quality State Grants	TR-S1 03	84.367	35,283		38,647	
Learn and Serve America School and Community Based Programs	SV-S2 02	94.004	(167)			
	SV-S1 03	94.004	15,000		14,158	
Total Learn and Serve America School and Community Based Programs			14,833		14,158	
Total U. S. Department of Education			262,981		333,537	
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$355,296</u>	<u>\$55,096</u>	<u>\$425,852</u>	<u>\$55,096</u>

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

NOTE C -- NEGATIVE RECEIPTS

The negative receipts in the Eisenhower Professional Development State Grants and the Class Size Reduction Grant represents the elimination of these grants. These receipts were transferred into the Improving Teacher Quality State Grants.



**Auditor of State
Betty Montgomery**

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

Benjamin Logan Local School District
Logan County
4626 County Road 26
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the financial statements of Benjamin Logan Local School District, Logan County, (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated March 9, 2004, which noted the School District prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated March 9, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated March 9, 2004.

Benjamin Logan Local School District
Logan County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 9, 2004



Auditor of State Betty Montgomery

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

Benjamin Logan Local School District
Logan County
4626 County Road 26
Bellefontaine, Ohio 43311

To the Board of Education:

Compliance

We have audited the compliance of the Benjamin Logan Local School District (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

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



Betty Montgomery
Auditor of State

March 9, 2004

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1, Grants to Local Educational Agencies: CFDA # 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2003-001

Ohio Rev. Code Section 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 Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the School District should prepare their financial statements according to generally accepted accounting principles.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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800-282-0370
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BENJAMIN LOGAN LOCAL SCHOOL DISTRICT

LOGAN 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
APRIL 15, 2004**