



**Auditor of State
Betty Montgomery**

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Logan Elm Local School District
Pickaway County
9579 Tarlton Road
Circleville, Ohio 43113

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Logan Elm Local School District, Pickaway County, Ohio, (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Logan Elm Local School District, Pickaway County, Ohio, as of June 30, 2005 and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described more fully in Note 3, the District adjusted net assets at June 30, 2004 for an accounting change regarding the way the District accounts for its capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is 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 basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

February 10, 2006

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of the Logan Elm Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities decreased \$1,123,554 which represents a 21.83% decrease from 2004.
- General revenues accounted for \$15,820,677 in revenue or 84.06% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,000,872 or 15.94% of total revenues of \$18,821,549.
- The District had \$19,945,103 in expenses related to governmental activities; only \$3,000,872 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,820,677 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$16,065,050 in revenues and \$17,055,573 in expenditures and other financing uses. During fiscal 2005, the general fund's fund balance decreased \$990,523 from \$1,708,131 to \$717,608.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for health and dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-49 of this report.

The District as a Whole

The table below provides a summary of the District's net assets for 2005 and 2004.

	Net Assets	
	Governmental Activities	(Restated) Governmental Activities
	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Current and other assets	\$ 9,706,121	\$ 10,689,818
Capital assets	<u>4,278,410</u>	<u>4,446,329</u>
Total assets	<u>13,984,531</u>	<u>15,136,147</u>
<u>Liabilities</u>		
Current liabilities	8,761,525	8,936,342
Long-term liabilities	<u>1,200,422</u>	<u>1,053,667</u>
Total liabilities	<u>9,961,947</u>	<u>9,990,009</u>
<u>Net Assets</u>		
Invested in capital assets	4,278,410	4,446,329
Restricted	531,658	229,324
Unrestricted (deficit)	<u>(787,484)</u>	<u>470,485</u>
Total net assets	<u>\$ 4,022,584</u>	<u>\$ 5,146,138</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$4,022,584. Of this total, \$531,658 is restricted in use.

At year-end, capital assets represented 30.59% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Invested in capital assets at June 30, 2005, were \$4,278,410. These capital assets are used to provide services to the students and are not available for future spending.

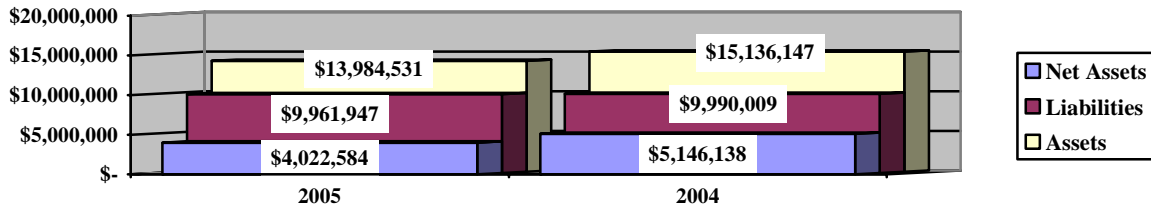
A portion of the District's net assets, \$531,658, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$787,484.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The decrease in total net assets of \$1,123,554 was driven by a decrease in Cash and Cash Equivalents of \$1,060,114, indicative of an operating loss due to expenditures were more than revenues in fiscal year 2005. This is the third consecutive year the District has realized an operating loss due to modest growth in general revenue, expense inflation, and tax levy failures. On November 8, 2005, District residents approved a 1% income tax levy that will improve District financial results beginning next fiscal year.

Governmental Activities



The table below shows the change in net assets for fiscal year 2005 and 2004.

Change in Net Assets

	Governmental Activities 2005	(Restated) Governmental Activities 2004
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,309,305	\$ 989,300
Operating grants and contributions	1,510,494	1,446,059
Capital grants and contributions	181,073	-
General revenues:		
Property taxes	7,061,963	6,844,003
Grants and entitlements	8,601,189	8,414,622
Investment earnings	64,229	58,265
Other	93,296	30,787
Total revenues	\$ 18,821,549	\$ 17,783,036

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Change in Net Assets

	Governmental Activities <u>2005</u>	(Restated) Governmental Activities <u>2004</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 9,310,418	\$ 9,118,606
Special	2,167,449	2,131,580
Vocational	3,090	66,661
Support services:		
Pupil	719,399	524,512
Instructional staff	1,056,019	1,315,643
Board of education	121,763	134,153
Administration	1,476,797	1,856,076
Fiscal	409,977	451,669
Business	4,329	6,194
Operations and maintenance	1,709,019	2,055,976
Pupil transportation	1,384,508	1,621,591
Central	211,156	230,801
Food service operations	771,663	812,301
Extracurricular activities	<u>599,516</u>	<u>618,824</u>
Total expenses	<u>19,945,103</u>	<u>20,944,587</u>
Change in net assets	(1,123,554)	(3,161,551)
Net assets at beginning of year	<u>5,146,138</u>	<u>8,307,689</u>
Net assets at end of year	<u>\$ 4,022,584</u>	<u>\$ 5,146,138</u>

Governmental Activities

As previously stated, net assets of the District's governmental activities decreased \$1,123,554. Total governmental expenses of \$19,945,103 were offset by program revenues of \$3,000,872 and general revenues of \$15,820,677. Program revenues supported 15.05% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 83.22% of total governmental revenue. The largest expense of the District is for instructional programs. Instruction expenses totaled \$11,480,957 or 57.56% of total governmental expenses for fiscal 2005.

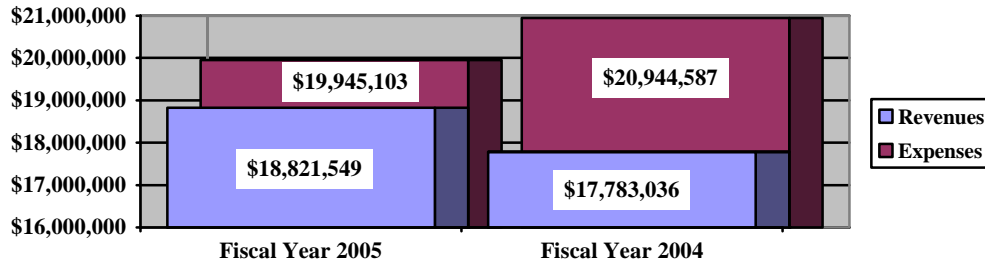
While the District realized an operating loss, the above revenue and expense comparisons reflect reaction to growing losses which were forecasted to lead the District to fiscal caution. In fact, the change in net assets improved by \$2,037,997. Otherwise modest increases in revenue were boosted by a 32.35% increase in charges for services and sales, the result of accepting incoming open enrollment students. Spending cuts resulted in a decrease in all expense items except regular instruction, special instruction and pupil support services. Continued restraint in spending and the 1% income tax approved November 8, 2005 will lead the District to better financial results in FY 2006 and forward.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

	Governmental Activities			
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses				
Instruction:				
Regular	\$ 9,310,418	\$ 8,513,506	\$ 9,118,606	\$ 8,612,567
Special	2,167,449	1,495,979	2,131,580	1,615,573
Vocational	3,090	3,090	66,661	66,661
Support services:				
Pupil	719,399	680,200	524,512	481,199
Instructional staff	1,056,019	764,043	1,315,643	985,840
Board of education	121,763	121,763	134,153	134,153
Administration	1,476,797	1,471,493	1,856,076	1,793,248
Fiscal	409,977	409,977	451,669	451,669
Business	4,329	4,329	6,194	6,194
Operations and maintenance	1,709,019	1,709,019	2,055,976	2,052,575
Pupil transportation	1,384,508	1,351,157	1,621,591	1,577,721
Central	211,156	179,661	230,801	204,703
Food service operations	771,663	21,756	812,301	84,153
Extracurricular activities	599,516	218,258	618,824	442,972
Total expenses	\$ 19,945,103	\$ 16,944,231	\$ 20,944,587	\$ 18,509,228

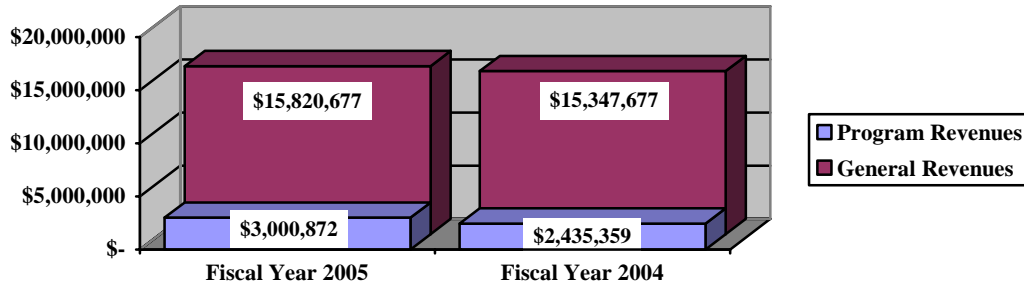
The dependence upon tax and other general revenues for governmental activities is apparent, 87.21% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.95%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on page 15) reported a combined fund balance of \$1,046,443, which is lower than last year's total of \$1,923,284. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	Increase (Decrease)
General	\$ 717,608	\$1,708,131	\$ (990,523)
Other Governmental	<u>328,835</u>	<u>215,153</u>	<u>113,682</u>
Total	<u>\$1,046,443</u>	<u>\$1,923,284</u>	<u>\$ (876,841)</u>

General Fund

The District's general fund balance decreased \$990,523. To understand this result, one must look beyond the 12 months of activity reflected in an annual financial report. This decrease, along with decreases in recent prior years, is primarily due to deterioration of the District's personal tangible property tax base and increases in expenditures throughout all functions.

The District's personal tangible property was valued at \$61,250,982 in 1998. As reported in the following Notes to the Basic Financial Statements, this valuation had dropped to \$36,910,989 as of 2004 (payable 2005). This represents a 40% decrease, which has prevented significant overall growth in property tax revenue.

District expenditures have been rising due to investments in education made in the face of ever-increasing state and federal mandates, such as the No Child Left Behind Act, and inflation. District expenditures are driven primarily by employee salaries and benefits, which represent over 80% of the District's budget. For 2005, all staff members received a 3% cost of living increase, and health insurance premiums increased 20%.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The following table summarizes changes in General Fund financial activity in 2005 and 2004.

	2005 <u>Amount</u>	2004 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,834,803	\$ 6,646,238	\$ 188,565	2.84 %
Tuition	379,153	104,017	275,136	264.51 %
Earnings on investments	61,438	56,407	5,031	8.92 %
Intergovernmental	8,579,326	8,398,012	181,314	2.16 %
Other revenues	<u>210,330</u>	<u>162,636</u>	<u>47,694</u>	29.33 %
 Total	 <u>\$ 16,065,050</u>	 <u>\$ 15,367,310</u>	 <u>\$ 697,740</u>	 4.54 %
<u>Expenditures</u>				
Instruction	\$ 10,335,679	\$ 9,842,409	493,270	5.01 %
Support services	6,351,956	6,870,056	(518,100)	(7.54) %
Extracurricular activities	<u>366,938</u>	<u>350,677</u>	<u>16,261</u>	4.64 %
 Total	 <u>\$ 17,054,573</u>	 <u>\$ 17,063,142</u>	 <u>\$ (8,569)</u>	 (0.05) %

Significant changes shown above reflect District reactions to its deteriorating financial situation. The 264.51% increase in tuition revenue is due to the District accepting incoming open enrollment students. The 29.33% increase in other revenues is due to the District charging higher fees to participate in extracurricular activities. The 7.54% decrease in support services expenditures reflects broad spending cuts.

General Fund Budgeting Highlights

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

During the course of fiscal 2005, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$15,660,000, which approximates the original budgeted revenues estimate of \$15,450,000. Actual revenues and other financing sources for fiscal 2005 were \$16,087,391.

General fund original appropriations (expenditures plus other financing uses) of \$17,649,903 were increased to \$17,659,903 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$17,294,203, which were \$365,700 lower than the final budget appropriations.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$4,278,410 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. See Note 8 to the basic financial statements for detail. The following table shows fiscal 2005 balances compared to 2004 restated balances due to a reappraisal of capital assets changing the useful lives, eliminating salvage values, and changing from aggregating similar assets to meet the threshold to individual assets meeting the threshold as detailed in Note 8:

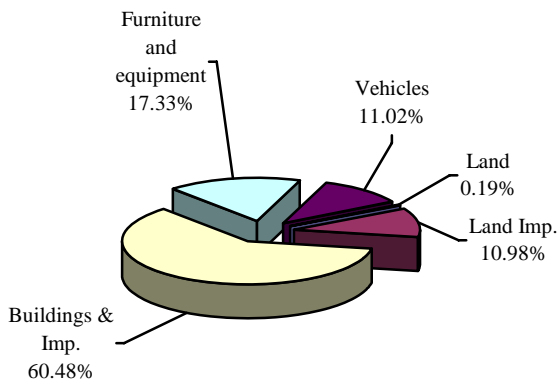
**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 8,024	\$ 8,024
Land improvements	469,816	506,053
Building and improvements	2,587,522	2,647,448
Furniture and equipment	741,641	724,881
Vehicles	471,407	559,923
Total	\$ 4,278,410	\$ 4,446,329

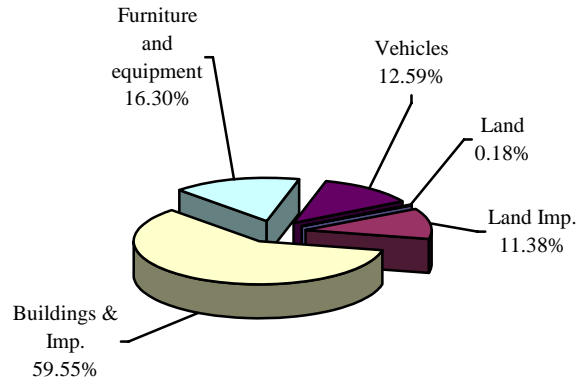
The overall decrease in capital assets of \$167,919 is due to depreciation expense of \$330,858 exceeding capital outlays of \$162,939 in the fiscal year.

The graphs below present the District's capital assets for fiscal 2005 and fiscal 2004.

**Capital Assets - Governmental Activities
2005**



**Capital Assets - Governmental Activities
2004**



**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Debt Administration

At June 30, 2005, the District had no debt obligations outstanding.

Current Financial Related Activities

Due to the commitment of the Board and Administration, the District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the need for additional tax revenue.

Several significant legislative and judicial actions have occurred that have had and will continue to have a major impact on our District and the current cash balance. Most importantly, the Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Subsequent court rulings affirmed this decision and indicated that State attempts to develop a constitutional educational system in ensuing budgets failed.

The State's failure to fix Ohio's school funding problem has left the District to fend for itself. In March 2004, the District began pursuing a local 1% income tax for operations. This tax levy failed three times resulting in a deterioration of the district's general fund balance to \$717,608 as the preceding information shows. Fortunately, this tax levy passed on November 8, 2005, the fourth attempt. The District will begin collecting this additional tax revenue January 1, 2006. It is projected that this will increase annual general fund revenue \$1.9 million and eliminate the need for any additional tax levies for current operating expenses for five years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Steve McAfee, Treasurer, Logan Elm Local School District, 9579 Tarlton Road, Circleville, Ohio 43113-9448.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 2,368,499
Investments	104,300
Cash with fiscal agent	52,756
Receivables:	
Property taxes	6,972,171
Accounts	25,679
Intergovernmental	167,159
Accrued interest	133
Materials and supplies inventory	15,424
Capital assets:	
Land	8,024
Depreciable capital assets, net	4,270,386
Total capital assets	4,278,410
 Total assets	 13,984,531
 Liabilities:	
Accounts payable	105,914
Accrued wages and benefits	1,771,684
Pension obligation payable	422,325
Intergovernmental payable	13,853
Deferred revenue	6,042,139
Claims payable	405,610
Long-term liabilities:	
Due within one year	162,219
Due in more than one year	1,038,203
 Total liabilities	 9,961,947
 Net Assets:	
Invested in capital assets	4,278,410
Restricted for:	
Capital projects	38,689
Perpetual care:	
Expendable	191
Nonexpendable	104,300
Locally funded programs	37,969
State funded programs	9,649
Federally funded programs	62,327
Student activities	107,910
Other purposes	170,623
Unrestricted (deficit)	(787,484)
 Total net assets	 \$ 4,022,584

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction:					
Regular	\$ 9,310,418	\$ 501,103	\$ 260,599	\$ 35,210	\$ (8,513,506)
Special	2,167,449	-	671,470	-	(1,495,979)
Vocational	3,090	-	-	-	(3,090)
Support services:					
Pupil.	719,399	10,653	28,546	-	(680,200)
Instructional staff	1,056,019	8,629	283,347	-	(764,043)
Board of education	121,763	-	-	-	(121,763)
Administration.	1,476,797	-	5,304	-	(1,471,493)
Fiscal.	409,977	-	-	-	(409,977)
Business	4,329	-	-	-	(4,329)
Operations and maintenance	1,709,019	-	-	-	(1,709,019)
Pupil transportation.	1,384,508	20,820	12,531	-	(1,351,157)
Central	211,156	6,541	24,954	-	(179,661)
Food service operations	771,663	526,658	223,249	-	(21,756)
Extracurricular activities.	599,516	234,901	494	145,863	(218,258)
Totals	<u>\$ 19,945,103</u>	<u>\$ 1,309,305</u>	<u>\$ 1,510,494</u>	<u>\$ 181,073</u>	<u>(16,944,231)</u>
General Revenues:					
Property taxes levied for:					
General purposes					6,862,462
Capital projects					199,501
Grants and entitlements not restricted to specific programs					8,601,189
Investment earnings					64,229
Miscellaneous					93,296
Total general revenues.					15,820,677
Change in net assets					(1,123,554)
Net assets, July 1 (restated-See Note 3)					5,146,138
Net assets, June 30					\$ 4,022,584

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,787,298	\$ 365,042	\$ 2,152,340
Investments	-	104,300	104,300
Receivables:			
Property taxes	6,779,157	193,014	6,972,171
Accounts	24,818	861	25,679
Intergovernmental	50,767	110,905	161,672
Accrued interest	-	133	133
Materials and supplies inventory	-	15,424	15,424
Restricted assets:			
Equity in pooled cash and cash equivalents	<u>170,623</u>	<u>-</u>	<u>170,623</u>
Total assets	<u>\$ 8,812,663</u>	<u>\$ 789,679</u>	<u>\$ 9,602,342</u>
Liabilities:			
Accounts payable	\$ 84,689	\$ 21,225	\$ 105,914
Accrued wages and benefits	1,611,865	159,819	1,771,684
Pension obligation payable	369,530	52,795	422,325
Intergovernmental payable.	12,426	1,007	13,433
Deferred revenue.	<u>6,016,545</u>	<u>225,998</u>	<u>6,242,543</u>
Total liabilities.	<u>8,095,055</u>	<u>460,844</u>	<u>8,555,899</u>
Fund Balances:			
Reserved for encumbrances	22,610	47,678	70,288
Reserved for materials and supplies inventory	-	15,424	15,424
Reserved for future appropriation	762,612	22,154	784,766
Reserved for budget stabilization.	170,623	-	170,623
Reserved for library purposes.	-	104,300	104,300
Unreserved, undesignated (deficit), reported in:			
General fund.	(238,237)	-	(238,237)
Special revenue funds	-	132,262	132,262
Capital projects funds	-	6,826	6,826
Permanent fund	<u>-</u>	<u>191</u>	<u>191</u>
Total fund balances.	<u>717,608</u>	<u>328,835</u>	<u>1,046,443</u>
Total liabilities and fund balances	<u>\$ 8,812,663</u>	<u>\$ 789,679</u>	<u>\$ 9,602,342</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005**

Total governmental fund balances	\$ 1,046,443
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,278,410
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Taxes	\$ 145,266
Grants	<u>55,138</u>
Total	200,404
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	(302,251)
Long-term liabilities, such as compensated absences, are not due and payable in the current period and are therefore not reported in the funds.	<u>(1,200,422)</u>
Net assets of governmental activities	<u><u>\$ 4,022,584</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 6,834,803	\$ 199,005	\$ 7,033,808
Tuition.	379,153	-	379,153
Charges for services	-	526,658	526,658
Transportation fees.	20,820	-	20,820
Earnings on investments.	61,438	2,791	64,229
Extracurricular.	52,434	255,676	308,110
Classroom materials and fees	74,564	-	74,564
Other local revenues.	62,512	59,874	122,386
Intergovernmental - state	8,577,784	245,686	8,823,470
Intergovernmental - federal.	1,542	1,233,525	1,235,067
	<hr/>	<hr/>	<hr/>
Total revenues	16,065,050	2,523,215	18,588,265
Expenditures:			
Current:			
Instruction:			
Regular	8,821,440	303,060	9,124,500
Special.	1,511,149	622,235	2,133,384
Vocational.	3,090	-	3,090
Support Services:			
Pupil.	676,983	41,065	718,048
Instructional staff	721,644	275,413	997,057
Board of education	121,763	-	121,763
Administration.	1,458,428	4,994	1,463,422
Fiscal	396,357	4,463	400,820
Business	4,329	-	4,329
Operations and maintenance.	1,515,272	163,144	1,678,416
Pupil transportation	1,289,784	12,001	1,301,785
Central.	167,396	37,365	204,761
Food service operations	-	765,266	765,266
Extracurricular activities.	366,938	181,527	548,465
	<hr/>	<hr/>	<hr/>
Total expenditures	17,054,573	2,410,533	19,465,106
Excess of revenues over (under) expenditures	(989,523)	112,682	(876,841)
Other financing sources (uses):			
Transfers in	-	1,000	1,000
Transfers (out).	(1,000)	-	(1,000)
Total other financing sources (uses)	<hr/> (1,000) <hr/>	<hr/> 1,000 <hr/>	<hr/> - <hr/>
Net change in fund balances	(990,523)	113,682	(876,841)
Fund balances, July 1 (restated-See Note 3)	<hr/> 1,708,131 <hr/>	<hr/> 215,153 <hr/>	<hr/> 1,923,284 <hr/>
Fund balances, June 30	<hr/> \$ 717,608 <hr/>	<hr/> \$ 328,835 <hr/>	<hr/> \$ 1,046,443 <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Net change in fund balances - total governmental funds \$ (876,841)

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

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

Capital asset additions	\$ 162,939	
Current year depreciation	<u>(330,858)</u>	
Total		(167,919)

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

Taxes	28,155	
Intergovernmental revenue	<u>45,266</u>	
Total		73,421

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

(146,755)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(5,460)

Change in net assets of governmental activities

\$ (1,123,554)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 6,481,963	\$ 6,570,067	\$ 6,678,138	\$ 108,071
Tuition	323,241	327,635	333,024	5,389
Transportation fees	21,388	21,678	22,035	357
Earnings on investments	61,221	62,053	63,074	1,021
Classroom materials and fees	123,338	125,015	127,071	2,056
Other local revenue	44,312	44,914	41,023	(3,891)
Other revenue	3,042	3,083	3,134	51
Intergovernmental - state	8,325,805	8,438,972	8,577,784	138,812
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	15,384,310	15,593,417	15,845,283	251,866
Expenditures:				
Current:				
Instruction:				
Regular	8,853,942	8,858,012	8,788,386	69,626
Special	1,600,842	1,583,532	1,569,788	13,744
Vocational	8,500	10,250	10,231	19
Support services:				
Pupils	684,672	699,096	675,042	24,054
Instructional staff	737,365	727,823	717,294	10,529
Board of education	125,086	127,833	122,674	5,159
Administration	1,520,537	1,518,510	1,474,779	43,731
Fiscal	464,338	464,471	399,970	64,501
Business	6,400	6,400	6,329	2,071
Operations and maintenance	1,645,266	1,649,856	1,525,357	124,499
Pupil transportation	1,470,972	1,456,569	1,292,410	164,159
Central	158,535	184,103	172,111	11,992
Extracurricular activities	372,448	372,448	366,402	6,046
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	17,648,903	17,658,903	17,118,773	540,130
Excess of revenues over (under) expenditures	(2,264,593)	(2,065,486)	(1,273,490)	791,996
Other financing sources (uses):				
Advances in	-	-	174,430	174,430
Advances (out)	-	-	(174,430)	(174,430)
Transfers (out)	(1,000)	(1,000)	(1,000)	-
Refund of prior year's expenditures	65,690	66,583	67,678	1,095
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	64,690	65,583	66,678	1,095
Net change in fund balance	(2,199,903)	(1,999,903)	(1,206,812)	793,091
Fund balance, July 1	2,864,789	2,864,789	2,864,789	-
Prior year encumbrances appropriated	265,016	265,016	265,016	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, June 30	<u>\$ 929,902</u>	<u>\$ 1,129,902</u>	<u>\$ 1,922,993</u>	<u>\$ 793,091</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005**

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents	\$ 45,536
Cash with fiscal agent	52,756
Receivables:	
Intergovernmental	5,487
Total assets	103,779
Liabilities:	
Accounts payable	420
Claims payable.	405,610
Total liabilities	406,030
Net assets:	
Unrestricted (deficit)	(302,251)
Total net assets (deficit)	\$ (302,251)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:	
Charges for services.	\$ 2,758,393
	<hr/>
Total operating revenues	2,758,393
	<hr/>
Operating expenses:	
Purchased services.	7,265
Claims expense	2,756,588
	<hr/>
Total operating expenses	2,763,853
	<hr/>
Change in net assets	(5,460)
	<hr/>
Net assets (deficit), July 1	(296,791)
	<hr/>
Net assets (deficit), June 30	\$ (302,251)
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 2,758,393
Cash payments for purchased services	(6,845)
Cash payments for claims.	(2,728,963)
	22,585
Net cash provided by operating activities.	22,585
Net increase in cash and cash equivalents.	22,585
Cash and cash equivalents, July 1	75,707
Cash and cash equivalents, June 30	\$ 98,292
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (5,460)
Changes in assets and liabilities:	
Increase in intergovernmental receivable.	(5,487)
Increase in accounts payable	420
Decrease in due to other governments	(72,677)
Increase in claims payable	105,789
	105,789
Net cash provided by operating activities	\$ 22,585

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005**

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 40,855	\$ 51,901
Total assets	<u>40,855</u>	<u>\$ 51,901</u>
Liabilities:		
Due to students	-	\$ 51,901
Total liabilities	<u>-</u>	<u>\$ 51,901</u>
Net Assets:		
Held in trust for scholarships	<u>40,855</u>	
Total net assets	<u>\$ 40,855</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 697
Gifts and contributions.	1,640
	2,337
Deductions:	
Scholarships awarded	5,537
	(3,200)
Net assets, July 1	44,055
Net assets, June 30	\$ 40,855

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Logan Elm Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

The District ranks as the 229th largest by enrollment among the 614 public school districts in the state. The District employs 116 non-certified and 170 certified employees to provide services to approximately 2,345 students and community groups. The District provides regular and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services. The District co-operates with the Pickaway County Educational Service Center, a separate entity, for curricular services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government 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 to organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this 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:

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

A. Reporting Entity (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council (MEC) - Is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District paid \$72,584 to MEC for services provided during fiscal 2005.

Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in central Ohio which comprise sixty percent of the Board, two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Development Disabilities, representatives of universities and students and persons with disabilities representations. COSERRC assists the District in complying with mandates of Public Law 99-456 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Council.

Ross County School Employees Insurance Consortium

The District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area. Medical/surgical insurance is administered through a third party administrator, Medical Mutual of Ohio. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to Westfall Local School District, Scott Glandon, who serves as Treasurer, at 19463 Pherson Pike, Williamsport, Ohio 43164.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program (GRP)

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program was established as an insurance purchasing pool and is governed by a three-member Board of Directors. The Executive Director of the Ohio School Boards Association, or his/her designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 11.C. for further information on this group rating plan.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides health and dental benefits to employees.

FIDUCIARY FUNDS

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

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

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

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

C. Basis of Presentation and Measurement Focus (Continued)

The private purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

D. Basis of Accounting (Continued)

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2005 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Pickaway County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2005.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the one-digit object level within each two-digit function for the general fund and the fund level of expenditures for all other funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.)

Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.

5. Any revisions that alter the appropriations at the one-digit object level within each two-digit function for the general fund and the fund level of expenditures for all other funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

E. Budgets (Continued)

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The final budget figures, which appear in the statement of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Cash and Investments

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

The District has invested funds in STAR Ohio during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2005 amounted to \$61,438, which includes \$10,119 assigned from other District funds.

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

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

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis and is expended when consumed.

Inventory consists of donated food and purchased food.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$3,000 per item. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	15 - 90 years
Buildings and improvements	25 - 135 years
Furniture and equipment	5 - 20 years
Vehicles	10 -15 years

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2005, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

I. Compensated Absences (Continued)

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. There were no fund liabilities for compensated absences at June 30, 2005.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

K. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of materials and supplies, future appropriation, budget stabilization, and library purposes. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for budget stabilization. See Note 16 for details.

M. Estimates

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

P. Interfund Activity

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND ACCOUNTABILITY

A. Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND ACCOUNTABILITY - (Continued)

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 1,829,382	\$ 248,964	\$ 2,078,346
GASB Technical Bulletin No. 2004-2	<u>(121,251)</u>	<u>(33,811)</u>	<u>(155,062)</u>
Adjusted Fund Balance, June 30, 2004	<u>\$ 1,708,131</u>	<u>\$ 215,153</u>	<u>\$ 1,923,284</u>

B. Accounting Change

Net assets have been adjusted at June 30, 2004 due to a reappraisal of the District's capital assets and changes in the useful lives, elimination of salvage values for capital assets, and changing from aggregating values of similar capital assets meeting the capitalization threshold to each individual capital asset meeting the capitalization threshold. The above changes had the following effect on net assets as previously reported:

	<u>Governmental Activities</u>
Net assets, June 30, 2004	\$ 5,952,556
Adjustment for capital assets	<u>(806,418)</u>
Net assets at June 30, 2004	<u>\$ 5,146,138</u>

C. Deficit Fund Balance

Fund balances at June 30, 2005 included the following individual fund deficits:

Food Service	\$ 38,553
Miscellaneous State Grants	4,110
Preschool for the Handicapped	222
Title VI-R	670
Internal Service	302,251

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 – EQUITY IN POOLED CASH AND CASH EQUIVALENTS 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.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS - (Continued)

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 moneys 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.

Protection of 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS - (Continued)

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

A. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$283,415, which includes \$52,756 cash with fiscal agent. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$45,976 of the District's bank balance of \$310,819 was exposed to custodial risk as discussed below, while \$264,843 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

B. Investments

As of June 30, 2005, the District had the following investment and maturity:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	<u>\$ 2,334,896</u>	<u>\$ 2,334,896</u>

Interest Rate Risk: 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: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS - (Continued)

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, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,334,896	100.00

C. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 283,415
Investments	<u>2,334,896</u>
Total	<u>\$ 2,618,311</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,525,555
Private-purpose trust fund	40,855
Agency funds	<u>51,901</u>
Total	<u>\$ 2,618,311</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund statements:

Transfers to Other Governmental funds from:	
General fund	\$ 1,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - PROPERTY TAXES

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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 District prior to June 30.

The District receives property taxes from Pickaway and Hocking Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$762,612 in the general fund and \$22,154 in the other governmental funds. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2004 was \$605,947 in the general fund and \$18,015 in the other governmental funds.

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 204,805,800	77.12%	\$ 217,819,800	79.53%
Public utility personal	19,589,430	7.38%	19,149,120	6.99%
Tangible personal property	<u>41,181,246</u>	<u>15.51%</u>	<u>36,910,989</u>	<u>13.48%</u>
Total	<u>\$ 265,576,476</u>	<u>100.00%</u>	<u>\$ 273,879,909</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.40		\$40.40	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Property taxes	\$ 6,972,171
Accounts	25,679
Intergovernmental	167,159
Accrued interest	<u>133</u>
Total	<u>\$ 7,165,142</u>

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been adjusted due to an accounting change in capital assets as disclosed in Note 3:

	Balance 06/30/04	Adjustments	Restated Balance 06/30/04
<i>Capital assets, not being depreciated:</i>			
Land	\$ 8,024	\$ -	\$ 8,024
Total capital assets, not being depreciated	<u>8,024</u>	<u>-</u>	<u>8,024</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	1,162,223	-	1,162,223
Building and improvements	4,747,596	138,052	4,885,648
Furniture and equipment	2,161,926	(421,927)	1,739,999
Vehicles	1,711,345	-	1,711,345
Total capital assets, being depreciated	<u>9,783,090</u>	<u>(283,875)</u>	<u>9,499,215</u>
<i>Less: accumulated depreciation:</i>	<u>(4,538,367)</u>	<u>(522,543)</u>	<u>(5,060,910)</u>
Governmental activities capital assets, net	<u>\$ 5,252,747</u>	<u>\$ (806,418)</u>	<u>\$ 4,446,329</u>

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance 06/30/04	Additions	Disposals	Balance 06/30/05
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 8,024	\$ -	\$ -	\$ 8,024
Total capital assets, not being depreciated	<u>8,024</u>	<u>-</u>	<u>-</u>	<u>8,024</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,162,223	-	-	1,162,223
Buildings and improvements	4,885,648	-	-	4,885,648
Furniture and equipment	1,739,999	162,939	(40,096)	1,862,842
Vehicles	1,711,345	-	-	1,711,345
Total capital assets, being depreciated	<u>9,499,215</u>	<u>162,939</u>	<u>(40,096)</u>	<u>9,622,058</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(656,170)	(36,237)	-	(692,407)
Buildings and improvements	(2,238,200)	(59,926)	-	(2,298,126)
Furniture and equipment	(1,015,118)	(146,179)	40,096	(1,121,201)
Vehicles	(1,151,422)	(88,516)	-	(1,239,938)
Total accumulated depreciation	<u>(5,060,910)</u>	<u>(330,858)</u>	<u>40,096</u>	<u>(5,351,672)</u>
Governmental activities capital assets, net	<u>\$ 4,446,329</u>	<u>\$ (167,919)</u>	<u>\$ -</u>	<u>\$ 4,278,410</u>

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 86,887
Special	14,986
 <u>Support Services:</u>	
Pupil	437
Instructional staff	53,573
Administration	4,311
Fiscal	1,059
Operations and maintenance	8,408
Pupil transportation	93,948
Central	5,224
Extracurricular activities	51,051
Food service operations	<u>10,974</u>
 Total depreciation expense	 <u>\$ 330,858</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. The District's long-term obligations during the year consist of the following:

	<u>Balance at</u> <u>6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>06/30/05</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental Activities:					
Compensated absences	<u>\$ 1,053,667</u>	<u>\$ 232,843</u>	<u>\$ (86,088)</u>	<u>\$ 1,200,422</u>	<u>\$ 162,219</u>

Compensated absences will be paid from the fund which the employee's salaries are paid.

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2005, are a voted debt margin of \$24,649,192 and an unvoted debt margin of \$273,880.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 10 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and state laws. Administrators and classified staff earn ten to thirty days of vacation per year, depending upon length of service and position. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

NOTE 11 - RISK MANAGEMENT

A. General Risk

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. During fiscal year 2005, the District contracted with The Ohio School Plan for liability, property, fleet, crime, and inland marine coverage. The District also purchases faithful performance bonds from Travelers Casualty and Surety Company of America. Coverages provided at June 30, 2005 are as follows:

Building and Contents (\$1,000 deductible)	\$32,455,270
Inland Marine (\$1,000 deductible)	150,000
Automobile Liability (\$1,000 deductible)	3,000,000
Crime (\$1,000 deductible)	
Theft, Inside or Outside the Premises	25,000
Public Employee Dishonesty	25,000
General Liability	
Aggregate	3,000,000
Per Occurrence	1,000,000
Fire Damage Limit (any one fire)	500,000
Medical Expense Limit (any one person)	10,000
Employee Benefits Liability	
Aggregate	3,000,000
Each Offense	1,000,000
Employer's Liability – Stop Gap Coverage Endorsement	
Bodily Injury by Accident	1,000,000
Bodily Injury by Disease	1,000,000
Educational Legal Liability (\$2,500 deductible)	
Aggregate	2,000,000
Each Injury	1,000,000
Excess Liability Coverage	
Aggregate	2,000,000
Per Occurrence	2,000,000
Public Official Bonds	
Treasurer	50,000
Superintendent / Board President (each)	20,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Health/Medical and Dental Insurance

Health and dental insurance is offered to employees through self-insurance internal service funds. Medical Mutual of Ohio is the third party administrator for health/medical insurance programs. In regards to health/ medical insurance, the District participates as a member of the Ross County School Employees Insurance Consortium (RCSEIC). RCSEIC currently includes 14 member school districts. Health/ medical insurance premiums are determined by the RCSEIC board of directors and are remitted monthly to the consortium's fiscal agent, who then pays all incurred claims. Dental insurance premiums are determined by the District Board of Education, which then pays all incurred claims. Medical Mutual of Ohio, a third party administrator, services all health/medical claims submitted by employees. The District has obtained a stop-loss coverage insurance policy covering individual claims in excess of \$100,000 per covered person and aggregate stop-loss coverage of \$2,000,000. Professional Risk Management, Inc., a third party administrator, services all dental claims submitted by employees.

Changes in claim activity for the last two fiscal years are as follows:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Claims liabilities at beginning of fiscal year	\$ 299,821	\$ 205,057
Incurred claims	2,756,588	2,512,174
Claims paid	<u>(2,650,799)</u>	<u>(2,417,410)</u>
Claims liabilities at end of fiscal year	<u>\$ 405,610</u>	<u>\$ 299,821</u>

The District also provides life insurance for all full-time employees based on negotiated agreements, Board policy, and individual contracts.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP'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 OSBA, or his designee, serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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 Districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of Gates-McDonald & Company provides administrative, cost control and actuarial services to the GRP.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides 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. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% 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 adequacy of the contribution rates is determined annually.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$273,848, \$234,195 and \$199,147, respectively; 50% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$136,924, represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at 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. 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.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)

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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions.

The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,146,578, \$1,127,991, and \$1,035,060, respectively; 83.33% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$191,096 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$9,273 made by the District and \$20,441 made by plan members.

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 Systems/State Teachers Retirement System. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS 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 Ohio 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 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$88,198 during fiscal 2005.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% 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 2005, the minimum pay has been established at \$27,400. 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, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$124,038 during the 2005 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ (1,206,812)
Net adjustment for revenue accruals	219,767
Net adjustment for expenditure accruals	29,196
Net adjustment for other sources/uses	(67,678)
Adjustment for encumbrances	<u>35,004</u>
GAAP basis	<u>\$ (990,523)</u>

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2005.

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2004	\$ (177,236)	\$ -	\$ 170,623
Current year set-aside requirement	321,401	321,401	-
Current year offsets	-	(219,076)	-
Qualifying disbursements	<u>(224,996)</u>	<u>(588,243)</u>	<u>-</u>
Total	<u>\$ (80,831)</u>	<u>\$ (485,918)</u>	<u>\$ 170,623</u>
Balance carried forward to FY 2006	<u>\$ (80,831)</u>	<u>\$ -</u>	<u>\$ 170,623</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the Governmental Fund restricted assets at June 30, 2005 follows:

Amount restricted for budget stabilization

Total restricted assets \$ 170,623

NOTE 17 – SUBSEQUENT EVENT

On November 8, 2005, The District passed a 1% income tax levy to be used for current operating expenses.

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**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$30,968	\$0	\$30,968
National School Breakfast Program	049080-05-PU 2004	10.553	3,387	0	3,387	0
National School Breakfast Program	049080-05-PU 2005	10.553	10,837	0	10,837	0
<i>Total National School Breakfast Program</i>			<u>14,224</u>	<u>0</u>	<u>14,224</u>	<u>0</u>
National School Lunch Program	049080-LL-P4-2004	10.555	42,148	0	42,148	0
National School Lunch Program	049080-LL-P4-2005	10.555	150,665	0	150,665	0
<i>Total National School Lunch Program</i>			<u>192,813</u>	<u>0</u>	<u>192,813</u>	<u>0</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE- NUTRITION CLUSTER			<u>207,037</u>	<u>30,968</u>	<u>207,037</u>	<u>30,968</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I -Grants to Local Education Agencies						
Title I -Grants to Local Education Agencies	049080-C1-S1-2004	84.010	34,787	0	55,182	0
Title I -Grants to Local Education Agencies	049080-C1-S1-2005	84.010	335,490	0	306,625	0
<i>Total Title I Grants to Local Education Agencies</i>			<u>370,277</u>	<u>0</u>	<u>361,807</u>	<u>0</u>
Special Education Cluster:						
Special Education Grants to States	049080-6B-SD-2005	84.027	50,000	0	45,309	0
Special Education Grants to States	049080-6B-SF-2004	84.027	42,266	0	43,575	0
Special Education Grants to States	049080-6B-SF-2005	84.027	433,622	0	386,198	0
<i>Total Special Education Grants to States</i>			<u>525,888</u>	<u>0</u>	<u>475,082</u>	<u>0</u>
Special Education - Preschool Grant	049080-PG-S1-2005	84.173	11,218	0	9,925	0
<i>Total Special Education Cluster</i>			<u>537,106</u>	<u>0</u>	<u>485,007</u>	<u>0</u>
Safe and Drug-Free Schools State Grants						
Safe and Drug-Free Schools State Grants	049080-DR-S1-2004	84.186	(690)	0	0	0
Safe and Drug-Free Schools State Grants	049080-DR-S1-2005	84.186	11,587	0	8,988	0
<i>Total Safe and Drug-Free Schools State Grants</i>			<u>10,897</u>	<u>0</u>	<u>8,988</u>	<u>0</u>
State Grants for Innovative Educational Program Strategies						
State Grants for Innovative Educational Program Strategies	049080-C2-S1-2004	84.298	(954)	0	0	0
State Grants for Innovative Educational Program Strategies	049080-C2-S1-2005	84.298	10,615	0	6,615	0
<i>Total State Grants for Innovative Educational Program Strategies</i>			<u>9,661</u>	<u>0</u>	<u>6,615</u>	<u>0</u>
Education Technology State Grants						
Education Technology State Grants	049080-TJ-S1-2004	84.318	764	0	2,134	0
Education Technology State Grants	049080-TJ-S1-2005	84.318	6,849	0	6,844	0
<i>Total Education Technology State Grants</i>			<u>7,613</u>	<u>0</u>	<u>8,978</u>	<u>0</u>
Comprehensive School Reform Demonstration Grant	049080-RF-S2-2003	84.332	12,161	0	9,380	0
Improving Teacher Quality State Grants						
Improving Teacher Quality State Grants	049080-TR-S1-2004	84.367	10,454	0	22,522	0
Improving Teacher Quality State Grants	049080-TR-S1-2005	84.367	113,883	0	98,474	0
<i>Total Improving Teacher Quality State Grants</i>			<u>124,337</u>	<u>0</u>	<u>120,996</u>	<u>0</u>
TOTAL U.S.DEPARTMENT OF EDUCATION			<u>1,072,052</u>	<u>0</u>	<u>1,001,771</u>	<u>0</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of MRDD</i>						
State Children's Health Insurance Program	31-6402678	93.767	689	0	689	0
Medical Assistance Program	31-6402678	93.778	2,445	0	2,445	0
TOTAL U.S.DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>3,134</u>	<u>0</u>	<u>3,134</u>	<u>0</u>
TOTALS			<u>\$1,282,223</u>	<u>\$30,968</u>	<u>\$1,211,942</u>	<u>\$30,968</u>

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C- TRANSFERS DUE TO ODE ADMINISTRATIVE ACTION

The District transferred between the 2004 grant award to the 2005 grant award during fiscal year 2005 for the following: CFDA #'s 84.010-\$4,622, 84.186-\$690, 84.298-\$954, 84.318-\$236, and 84.367-\$4,320. However, the transfer of \$4,622 for CFDA #84.010 was offset by \$39,408 in receipts received during fiscal year 2005, which resulted in the receipt on the federal schedule for CFDA #84.010 of \$34,787. The transfer of \$236 for CFDA #84.318 was offset by a \$1,000 receipt received during fiscal year 2005, which resulted in the receipt on the federal schedule for CFDA #84.318 of \$764. The transfer of \$4,320 for CFDA #84.367 was offset by a \$14,774 receipt received during fiscal year 2005, which resulted in the receipt on the federal schedule for CFDA #84.367 of \$10,454. This was due to the revised Comprehensive Continuous Improvement Plan Strategy (CCIP) as of July, 2002 which is an attempt to promote consistency between fiscal periods, allows the local agencies to manage one Ohio Department of Education project at a time, and eliminates refunds to Ohio Department of Education.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Logan Elm Local School District
Pickaway County
9579 Tarlton Road
Circleville, Ohio 43113

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Logan Elm Local School District, Pickaway County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 10, 2006, wherein we noted that the District adjusted net assets due to an accounting change regarding capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated February 10, 2006, we reported an other matter involving internal control over financial reporting which we did not deem a reportable condition.

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www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities. It is not intended for 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

February 10, 2006



**Auditor of State
Betty Montgomery**

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

Logan Elm Local School District
Pickaway County
9579 Tarlton Road
Circleville, Ohio 43113

To the Board of Education:

Compliance

We have audited the compliance of Logan Elm Local School District, Pickaway County, Ohio, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to each of its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2005.

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Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

February 10, 2006

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
JUNE 30, 2005**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

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)?	No
<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 I – Grants to Local Education Agencies – CFDA # 84.010 Improving Teacher Quality State Grants – CFDA # 84.367
<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**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY 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 30, 2006**