



**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 Logan Elm Local School District, Pickaway County, Ohio, (the District), as of and for the year ended June 30, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Logan Elm Local School District, Pickaway County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information 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.

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

Betty Montgomery
Auditor of State

January 31, 2005

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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, 2004. 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 2004 are as follows:

- In total, net assets of governmental activities decreased \$2,355,133 which represents a 28.35% decrease from 2003.
- General revenues accounted for \$15,347,677 in revenue or 86.31% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,435,359 or 13.69% of total revenues of \$17,783,036.
- The District had \$20,138,169 in expenses related to governmental activities; only \$2,435,359 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,347,677 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$15,367,310 in revenues and \$16,941,891 in expenditures. During fiscal 2004, the general fund's fund balance decreased \$1,574,581 from \$3,403,963 to \$1,829,382.

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 2004?" 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, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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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 15-19 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.

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 25-48 of this report.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The District as a Whole

The table below provides a summary of the District's net assets for 2004 and 2003.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2004</u>	<u>2003</u>
<u>Assets</u>		
Current and other assets	\$ 10,689,818	\$ 13,142,553
Capital assets	<u>5,252,747</u>	<u>5,213,308</u>
Total assets	<u>15,942,565</u>	<u>18,355,861</u>
<u>Liabilities</u>		
Current liabilities	8,936,342	8,945,946
Long-term liabilities	<u>1,053,667</u>	<u>1,102,226</u>
Total liabilities	<u>9,990,009</u>	<u>10,048,172</u>
<u>Net Assets</u>		
Invested in capital assets	5,252,747	5,213,308
Restricted	229,324	871,521
Unrestricted	<u>470,485</u>	<u>2,222,860</u>
Total net assets	<u>\$ 5,952,556</u>	<u>\$ 8,307,689</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$5,952,556. Of this total, \$470,485 is unrestricted in use.

At year-end, capital assets represented 32.95% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$5,252,747. These capital assets are used to provide services to the students and are not available for future spending.

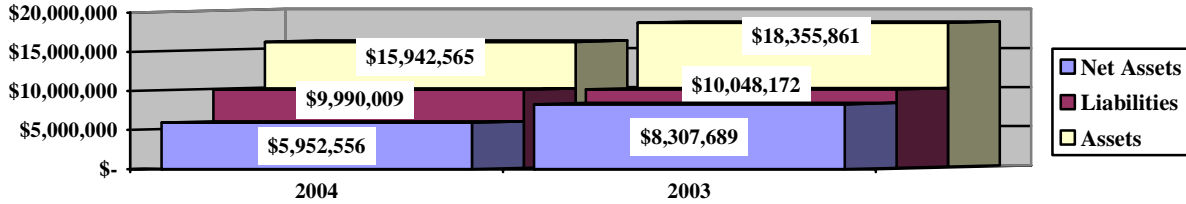
The decrease in total net assets relates primarily to a decrease in current assets by \$2,452,735. This relates to decreases in cash and cash equivalents of \$1,494,741; Property Taxes Receivable of \$536,658; and Intergovernmental Receivable of \$406,405. The decrease in cash and cash equivalents relates to cost of living increases and health insurance premiums. The decrease in property taxes is due to reductions in the District's personal property tax estimates, and the decrease in Intergovernmental Receivable is due to the accrual of a federal emergency grant in 2003 which was not a receivable in 2004.

A portion of the District's net assets, \$229,324, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$470,485 may be used to meet the District's ongoing obligations to the students and creditors.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Governmental Activities



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

Change in Net Assets

	Governmental Activities 2004	Governmental Activities 2003
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 989,300	\$ 957,659
Operating grants and contributions	1,446,059	1,664,059
Capital grants and contributions	-	536,467
General revenues:		
Property taxes	6,844,003	6,485,318
Grants and entitlements	8,414,622	7,838,593
Investment earnings	58,265	123,801
Other	30,787	74,796
Total revenues	<u>\$ 17,783,036</u>	<u>\$ 17,680,693</u>

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Change in Net Assets

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 8,848,849	\$ 8,009,896
Special	2,089,735	1,806,863
Vocational	66,661	57,463
Support services:		
Pupil	521,558	484,598
Instructional staff	1,148,433	1,089,873
Board of education	134,153	176,916
Administration	1,849,764	1,723,534
Fiscal	451,200	331,069
Business	6,194	6,233
Operations and maintenance	2,038,811	1,845,134
Pupil transportation	1,424,885	1,295,015
Central	230,300	300,430
Food service operations	775,886	797,344
Extracurricular activities	551,740	494,922
Interest and fiscal charges	<u>-</u>	<u>13</u>
Total expenses	<u>20,138,169</u>	<u>18,419,303</u>
Change in net assets	<u>\$ (2,355,133)</u>	<u>\$ (738,610)</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$2,355,133. Total governmental expenses of \$20,138,169 were offset by program revenues of \$2,435,359 and general revenues of \$15,347,677. Program revenues supported 12.09% 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 85.80% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$11,005,245 or 54.65% of total governmental expenses for fiscal 2004.

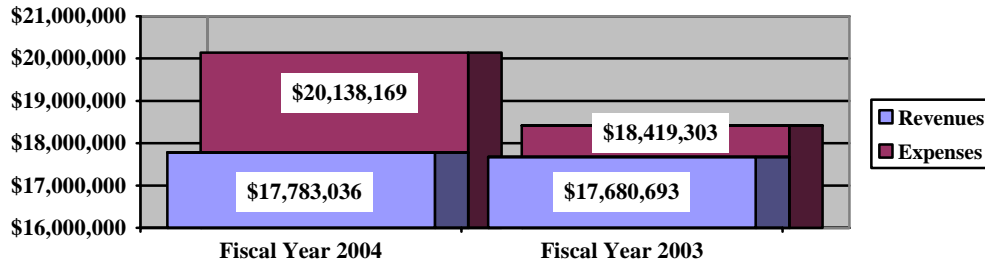
The decrease in net assets of the District's governmental activities is the result of growth in revenue not keeping pace with growth in expenditures. In regards to revenue, modest growth in general revenue was diminished by a decrease in grants and contributions. In 2003, a \$500,000 Federal Emergency Repair Project grant was received for a boiler replacement project at Pickaway Elementary. This type of funding was not received in 2004. In regards to expenditures, steady growth continues. Approximately 80% of our annual budget is dedicated to personnel. For 2004, all personnel received a 4% salary increase and employee health insurance premiums increased 20%. These increases impact all expense functions except Board of Education and Business.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004 and 2003.

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 <u>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program expenses				
Instruction:				
Regular	\$ 8,848,849	\$ 8,342,810	\$ 8,009,896	\$ 6,929,884
Special	2,089,735	1,573,728	1,806,863	1,260,620
Vocational	66,661	66,661	57,463	57,463
Support services:				
Pupil	521,558	478,245	484,598	434,238
Instructional staff	1,148,433	818,630	1,089,873	673,195
Board of education	134,153	134,153	176,916	176,916
Administration	1,849,764	1,786,936	1,723,534	1,651,642
Fiscal	451,200	451,200	331,069	331,069
Business	6,194	6,194	6,233	6,233
Operations and maintenance	2,038,811	2,035,410	1,845,134	1,839,848
Pupil transportation	1,424,885	1,381,015	1,295,015	1,262,836
Central	230,300	204,202	300,430	259,450
Food service operations	775,886	47,738	797,344	76,017
Extracurricular activities	551,740	375,888	494,922	301,694
Interest and fiscal charges	-	-	13	13
Total expenses	<u>\$ 20,138,169</u>	<u>\$ 17,702,810</u>	<u>\$ 18,419,303</u>	<u>\$ 15,261,118</u>

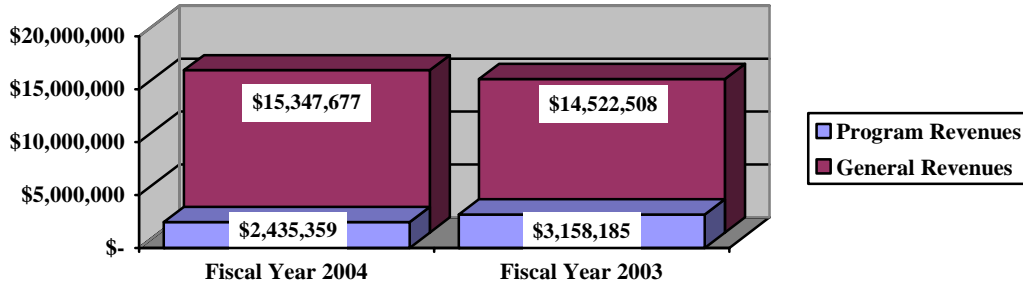
The dependence upon tax and other general revenues for governmental activities is apparent, 90.71% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.88%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2004 and 2003.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

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 \$2,078,346, which is lower than last year's total of \$3,896,926. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	<u>Fund Balance</u> <u>June 30, 2004</u>	<u>Fund Balance</u> <u>June 30, 2003</u>	<u>(Decrease)</u>
General	\$ 1,829,382	\$ 3,403,963	\$ (1,574,581)
Other Governmental	<u>248,964</u>	<u>492,963</u>	<u>(243,999)</u>
Total	<u>\$ 2,078,346</u>	<u>\$ 3,896,926</u>	<u>\$ (1,818,580)</u>

General Fund

The District's general fund balance decreased by \$1,574,581. 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 \$41,181,246 as of 2003 (payable 2004). This represents a 33% 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 2004, two new teaching positions were added, all staff members received a 4% cost of living increase, and health insurance premiums increased 15%.

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,646,238	\$ 6,297,053	\$ 349,185	5.55 %
Tuition	104,017	53,908	50,109	92.95 %
Earnings on investments	56,407	102,094	(45,687)	(44.75) %
Intergovernmental	8,398,012	7,801,023	596,989	7.65 %
Other revenues	<u>162,636</u>	<u>209,656</u>	<u>(47,020)</u>	(22.43) %
 Total	 <u>\$ 15,367,310</u>	 <u>\$ 14,463,734</u>	 <u>\$ 903,576</u>	 6.25 %
<u>Expenditures</u>				
Instruction	\$ 9,842,409	\$ 8,958,711	883,698	9.86 %
Support services	6,748,805	6,384,796	364,009	5.70 %
Extracurricular activities	350,677	314,799	35,878	11.40 %
Debt service	<u>-</u>	<u>674</u>	<u>(674)</u>	100.00 %
 Total	 <u>\$ 16,941,891</u>	 <u>\$ 15,658,980</u>	 <u>\$ 1,282,911</u>	 8.19 %

The increase in General Fund revenues primarily relates to taxes and expenditures. The increase in taxes is due to fluctuation in Taxes Receivable as estimated by the County Auditor. The District has actually realized little growth in taxes over the last five years due to reductions in personal tangible property valuations. The increase in Intergovernmental reflects a 2.2% increase in the per pupil funding level of the state's foundation formula and the continued phase in of parity aid, a second tier of state funding based on the wealth of a school district.

As discussed above in governmental activities section, steady growth in expenditures has been realized as personnel costs have grown. Although staffing levels have not increased significantly, inflation occurs through cost-of-living increases and the escalating cost of employee insurance.

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 2004, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$15,000,000, which approximates the original budgeted revenues estimate of \$15,025,000. Actual revenues and other financing sources for fiscal 2004 were \$15,827,862.

General fund original appropriations (expenditures plus other financing uses) of \$17,178,920 were increased to \$17,349,718 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$17,302,084, which were \$47,634 lower than the final budget appropriations.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$5,252,747 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. See Note 7 to the basic financial statements for detail. The following table shows fiscal 2004 balances compared to 2003:

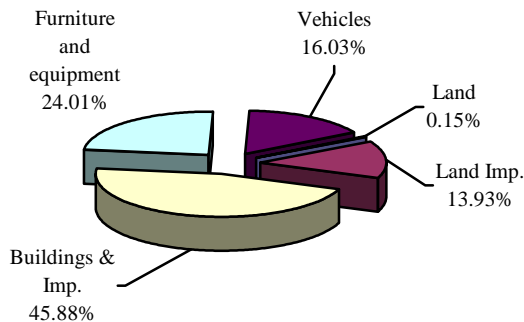
**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$ 8,024	\$ 8,024
Land improvements	731,738	764,292
Building and improvements	2,409,740	2,405,095
Furniture and equipment	1,261,265	1,280,378
Vehicles	841,980	755,519
Total	<u>\$ 5,252,747</u>	<u>\$ 5,213,308</u>

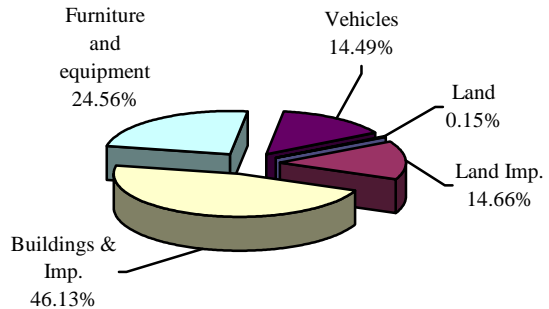
The overall increase in capital assets of \$39,439 is due to capital outlays of \$380,218 exceeding depreciation expense of \$321,815 and disposals of \$18,964 (net of accumulated depreciation) in the fiscal year.

The graphs below present the District's capital assets for fiscal 2004 and fiscal 2003.

**Capital Assets - Governmental Activities
2004**



**Capital Assets - Governmental Activities
2003**



**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Debt Administration

At June 30, 2004, 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 millage. Although it decreased \$1,574,581 in 2004, a general fund balance of \$1,829,382 remains at June 30, 2004, as the preceding information shows.

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 2004, the District proposed a local 1% income tax for operations. Although this proposal failed on both the March and November ballots, District leaders are optimistic about a 167% increase in the number of favorable votes between these two elections. District leaders are planning to return to the ballot with operating tax request in 2005.

Regardless of what happens, the District will continue its commitment to operate an effective and efficient educational facility.

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, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 3,428,613
Investments	104,300
Receivables:	
Property taxes	6,982,289
Accounts	9,263
Intergovernmental	143,971
Accrued interest	1,699
Materials and supplies inventory	19,683
Capital assets:	
Land	8,024
Depreciable capital assets, net	5,244,723
Total capital assets	5,252,747
 Total assets	 15,942,565
Liabilities:	
Accounts payable.	128,217
Accrued wages and benefits	1,763,540
Pension obligation payable.	417,637
Intergovernmental payable	85,909
Deferred revenue	6,241,218
Claims payable	299,821
Long-term liabilities:	
Due within one year.	86,088
Due in more than one year	967,579
 Total liabilities	 9,990,009
Net Assets:	
Invested in capital assets	5,252,747
Restricted for:	
Perpetual care:	
Expendable	1,170
Nonexpendable	104,300
Other purposes	123,854
Unrestricted.	470,485
 Total net assets	 \$ 5,952,556

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental activities:				
Instruction:				
Regular	\$ 8,848,849	\$ 182,716	\$ 323,323	\$ (8,342,810)
Special	2,089,735	-	516,007	(1,573,728)
Vocational	66,661	-	-	(66,661)
Support services:				
Pupil.	521,558	515	42,798	(478,245)
Instructional staff	1,148,433	11,710	318,093	(818,630)
Board of education	134,153	-	-	(134,153)
Administration.	1,849,764	59,095	3,733	(1,786,936)
Fiscal.	451,200	-	-	(451,200)
Business	6,194	-	-	(6,194)
Operations and maintenance	2,038,811	-	3,401	(2,035,410)
Pupil transportation.	1,424,885	33,295	10,575	(1,381,015)
Central	230,300	-	26,098	(204,202)
Food service operations	775,886	526,588	201,560	(47,738)
Extracurricular activities.	551,740	175,381	471	(375,888)
Totals	20,138,169	989,300	1,446,059	(17,702,810)
 General Revenues:				
Property taxes levied for:				
General purposes				6,646,676
Capital projects				197,327
Grants and entitlements not restricted				
to specific programs				8,414,622
Investment earnings				58,265
Miscellaneous				30,787
Total general revenues.				15,347,677
Change in net assets				(2,355,133)
Net assets, July 1				8,307,689
Net assets, June 30				\$ 5,952,556

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,959,180	\$ 223,103	\$ 3,182,283
Investments	-	104,300	104,300
Receivables:			
Property taxes	6,786,834	195,455	6,982,289
Accounts	8,556	707	9,263
Intergovernmental	2,728	141,243	143,971
Accrued interest	1,636	63	1,699
Materials and supplies inventory	-	19,683	19,683
Restricted assets:			
Equity in pooled cash and cash equivalents	170,623	-	170,623
Total assets	\$ 9,929,557	\$ 684,554	\$ 10,614,111
Liabilities:			
Accounts payable	\$ 82,611	\$ 45,606	\$ 128,217
Accrued wages and benefits	1,584,876	178,664	1,763,540
Pension obligation payable	239,637	22,938	262,575
Intergovernmental payable.	12,164	1,068	13,232
Deferred revenue.	6,180,887	187,314	6,368,201
Total liabilities.	8,100,175	435,590	8,535,765
Fund Balances:			
Reserved for encumbrances	228,703	30,805	259,508
Reserved for materials and supplies inventory	-	19,683	19,683
Reserved for future appropriation	605,947	18,015	623,962
Reserved for budget stabilization.	170,623	-	170,623
Reserved for library purposes.	-	104,300	104,300
Unreserved, undesignated, reported in:			
General fund.	824,109	-	824,109
Special revenue funds	-	107,248	107,248
Capital projects funds	-	(31,973)	(31,973)
Permanent fund	-	886	886
Total fund balances.	1,829,382	248,964	2,078,346
Total liabilities and fund balances	\$ 9,929,557	\$ 684,554	\$ 10,614,111

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$ 2,078,346
<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.		5,252,747
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 117,111	
Grants	<u>9,872</u>	
Total		126,983
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.		(296,791)
Long-term liabilities are not due and payable in the current period and are therefore are not reported in the funds.		
Compensated absences	1,053,667	
Pension obligation payable	<u>155,062</u>	
Total		<u>(1,208,729)</u>
Net assets of governmental activities		<u><u>\$ 5,952,556</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Taxes	\$ 6,646,238	\$ 196,937	\$ 6,843,175
Tuition.	104,017	-	104,017
Charges for services	-	526,588	526,588
Transportation fees.	33,295	-	33,295
Earnings on investments.	56,407	1,858	58,265
Extracurricular.	-	244,274	244,274
Classroom materials and fees	68,885	-	68,885
Other local revenues.	21,513	28,331	49,844
Other revenue	38,943	-	38,943
Intergovernmental - state	8,395,284	216,956	8,612,240
Intergovernmental - federal.	2,728	1,637,996	1,640,724
 Total revenues	 15,367,310	 2,852,940	 18,220,250
 Expenditures:			
Current:			
Instruction:			
Regular	8,313,862	394,459	8,708,321
Special.	1,461,886	586,473	2,048,359
Vocational.	66,661	-	66,661
Support Services:			
Pupil.	468,308	56,990	525,298
Instructional staff	673,455	389,899	1,063,354
Board of education	134,153	-	134,153
Administration.	1,772,876	73,086	1,845,962
Fiscal	464,548	-	464,548
Business	6,194	-	6,194
Operations and maintenance.	1,538,323	616,990	2,155,313
Pupil transportation	1,489,978	10,517	1,500,495
Central.	200,970	26,088	227,058
Operation of non-instructional services	-	-	-
Food service operations	-	765,787	765,787
Extracurricular activities.	350,677	179,306	529,983
 Total expenditures	 16,941,891	 3,099,595	 20,041,486
 Net Change in fund balances	 (1,574,581)	 (246,655)	 (1,821,236)
Fund balances, July 1	3,403,963	492,963	3,896,926
Increase in reserve for inventory.	-	2,656	2,656
 Fund balances, June 30	 \$ 1,829,382	 \$ 248,964	 \$ 2,078,346

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds \$ (1,821,236)

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 capital outlays (\$380,218) exceeded depreciation expense (\$321,815) in the current period.	58,403
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.	(18,964)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(437,214)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.	2,656
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	22,194
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.	<u>(160,972)</u>
Change in net assets of governmental activities	<u><u>\$ (2,355,133)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 6,517,239	\$ 6,506,395	\$ 6,744,192	\$ 237,797
Tuition	100,689	100,521	104,195	3,674
Transportation fees	30,931	30,879	32,008	1,129
Earnings on investments	54,893	54,802	56,805	2,003
Classroom materials and fees	66,006	65,897	68,305	2,408
Other local revenue	25,884	25,841	26,785	944
Other revenue	37,633	37,570	38,943	1,373
Intergovernmental - state	8,112,993	8,099,494	8,395,515	296,021
	<u>14,946,268</u>	<u>14,921,399</u>	<u>15,466,748</u>	<u>545,349</u>
Total revenues				
Expenditures:				
Current:				
Instruction:				
Regular	8,206,051	8,304,293	8,228,355	75,938
Special	1,472,895	1,499,395	1,485,795	13,600
Vocational	69,455	69,455	67,261	2,194
Support services:				
Pupils	476,741	469,105	466,164	2,941
Instructional staff	677,001	681,251	671,751	9,500
Board of education	184,509	140,010	135,469	4,541
Administration	1,777,732	1,783,231	1,760,740	22,491
Fiscal	420,559	474,924	469,595	5,329
Business	10,750	6,750	6,194	556
Operations and maintenance	1,761,332	1,737,468	1,689,590	47,878
Pupil transportation	1,581,545	1,621,078	1,576,873	44,205
Central	200,915	202,321	201,263	1,058
Extracurricular activities	339,435	349,774	349,774	-
	<u>17,178,920</u>	<u>17,339,055</u>	<u>17,108,824</u>	<u>230,231</u>
Total expenditures				
Excess of revenues over (under) expenditures	<u>(2,232,652)</u>	<u>(2,417,656)</u>	<u>(1,642,076)</u>	<u>775,580</u>
Other financing sources (uses):				
Advances in	-	-	279,640	279,640
Advances (out)	-	-	(193,260)	(193,260)
Contingencies	-	(10,663)	-	10,663
Refund of prior year's expenditures	78,732	78,601	81,474	2,873
	<u>78,732</u>	<u>78,601</u>	<u>81,474</u>	<u>2,873</u>
Total other financing sources (uses)	<u>78,732</u>	<u>67,938</u>	<u>167,854</u>	<u>99,916</u>
Net change in fund balance	<u>(2,153,920)</u>	<u>(2,349,718)</u>	<u>(1,474,222)</u>	<u>875,496</u>
Fund balance, July 1	<u>3,969,148</u>	<u>3,969,148</u>	<u>3,969,148</u>	<u>-</u>
Prior year encumbrances appropriated	<u>369,863</u>	<u>369,863</u>	<u>369,863</u>	<u>-</u>
Fund balance, June 30	<u>\$ 2,185,091</u>	<u>\$ 1,989,293</u>	<u>\$ 2,864,789</u>	<u>\$ 875,496</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 75,707
Total assets	<u>\$ 75,707</u>
Liabilities:	
Due to other governments	\$ 72,677
Claims payable.	<u>299,821</u>
Total liabilities	<u>372,498</u>
Net assets:	
Unrestricted	<u>(296,791)</u>
Total net assets (deficit)	<u>\$ (296,791)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND

	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:	
Charges for services.	\$ 2,358,599
Total operating revenues	<u>2,358,599</u>
Operating expenses:	
Purchased services.	7,397
Claims expense	<u>2,512,174</u>
Total operating expenses	<u>2,519,571</u>
Change in net assets	(160,972)
Net assets (deficit), July 1	<u>(135,819)</u>
Net assets (deficit), June 30	<u><u>\$ (296,791)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 2,358,599
Cash payments for purchased services	(8,105)
Cash payments for claims.	<u>(2,332,866)</u>
Net cash provided by operating activities.	<u>17,628</u>
Net increase in cash and cash equivalents.	17,628
Cash and cash equivalents, July 1	<u>58,079</u>
Cash and cash equivalents, June 30	<u><u>\$ 75,707</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	(160,972)
Changes in assets and liabilities:	
Decrease in prepayments	11,867
Decrease in accounts payable.	(708)
Increase in due to other governments.	72,677
Increase in claims payable	<u>94,764</u>
Net cash provided by operating activities	<u><u>\$ 17,628</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 44,055	\$ 45,228
Accounts receivable	<u> </u>	<u>100</u>
Total assets	<u>44,055</u>	<u>\$ 45,328</u>
Liabilities:		
Accounts payable	-	\$ 540
Due to students	<u>-</u>	<u>44,788</u>
Total liabilities	<u>-</u>	<u>\$ 45,328</u>
Net Assets:		
Held in trust for scholarships	<u>44,055</u>	
Total net assets	<u>\$ 44,055</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 484
Gifts and contributions.	3,865
Total additions.	4,349
Deductions:	
Scholarships awarded	3,322
Change in net assets	1,027
Net assets, July 1	43,028
Net assets, June 30	\$ 44,055

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 228th largest by enrollment among the 613 public school districts in the state. The District employs 119 non-certified and 172 certified employees to provide services to approximately 2,323 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 cooperates 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 funds 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". 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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 \$60,233 to MEC for services provided during fiscal 2004.

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, Klais and Company. 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 10.C. for further information on this group rating plan.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 sales and services. Operating expenses for internal service funds include the cost of sales and 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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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. 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 5). 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, income taxes, 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, 2004, 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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 2004 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 2004.
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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 statements 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 2004. 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, 2004.

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 2004 amounted to \$56,407, which includes \$7,747 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 Treasurer'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 governmental fund financial statements, inventories are accounted for using the purchase method.

Inventory consists of donated food and purchased food.

**LOGAN ELM LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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. 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 - 100 years
Furniture and equipment	8 - 20 years
Vehicles	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, 2004, 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, 2004, 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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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, 2004.

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, compensated absences, and contractually required pension contributions 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 15 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.

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.

**LOGAN ELM LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

N. Net Assets (Continued)

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 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balance/Net Assets

Fund balances/net assets at June 30, 2004 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Title VI-B	\$ 1,770
Self Insurance Fund	296,791
Title I	9,488
Permanent Improvement	13,958

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.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (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 money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and

**LOGAN ELM LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand: At fiscal year-end, the District had \$2,564 in undeposited cash on hand which is included on the basic financial statements of the District, as part of the "Equity in Pooled Cash and Equivalents."

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

Deposits: At year-end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$1,910,885, and the bank balance was \$2,052,874. Of the bank balance:

1. \$108,034 was covered by federal depository insurance; and
2. \$1,944,840 was uninsured as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in pledged securities securing all public funds on deposit with specific depository institutions; these securities are in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

At June 30, 2004, the District had an investment of \$1,708,747 in STAR Ohio. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

**LOGAN ELM LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,517,896	\$ 104,300
Investment of the cash management pool:		
Investments in STAR Ohio	(1,708,747)	1,708,747
Certificate of deposit	104,300	(104,300)
Cash on hand	<u>(2,564)</u>	<u>-</u>
 GASB Statement No. 3	 <u>\$ 1,910,885</u>	 <u>\$ 1,708,747</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. 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.

**LOGAN ELM LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 5 - PROPERTY TAXES - (Continued)

The District receives property taxes from Pickaway County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 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, 2004 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, 2004 was \$605,947 in the general fund and \$18,015 in the capital projects fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2003 was \$703,901 in the general fund and \$20,549 in the capital projects fund.

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.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 199,724,460	75.40	\$ 204,805,800	77.12
Public utility personal	19,507,990	7.37	19,589,430	7.37
Tangible personal property	<u>45,638,704</u>	<u>17.23</u>	<u>41,181,246</u>	<u>15.51</u>
Total	<u>\$ 264,871,154</u>	<u>100.00</u>	<u>\$ 265,576,476</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$40.40		\$40.40	

**LOGAN ELM LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 6 - RECEIVABLES

Receivables at June 30, 2004 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	\$ 6,982,289
Accounts	9,263
Intergovernmental	143,971
Accrued interest	<u>1,699</u>
Total	<u><u>\$ 7,137,222</u></u>

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

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 06/30/03	Additions	Disposals	Balance 06/30/04
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	4,667,600	79,996	-	4,747,596
Furniture and equipment	2,039,069	126,137	(3,280)	2,161,926
Vehicles	<u>1,651,410</u>	<u>174,085</u>	<u>(114,150)</u>	<u>1,711,345</u>
Total capital assets, being depreciated	<u>9,520,302</u>	<u>380,218</u>	<u>(117,430)</u>	<u>9,783,090</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(397,931)	(32,554)	-	(430,485)
Buildings and improvements	(2,262,505)	(75,351)	-	(2,337,856)
Furniture and equipment	(758,691)	(144,258)	2,288	(900,661)
Vehicles	<u>(895,891)</u>	<u>(69,652)</u>	<u>96,178</u>	<u>(869,365)</u>
Total accumulated depreciation	<u>(4,315,018)</u>	<u>(321,815)</u>	<u>98,466</u>	<u>(4,538,367)</u>
Governmental activities capital assets, net	<u><u>\$ 5,213,308</u></u>	<u><u>\$ 58,403</u></u>	<u><u>\$ (18,964)</u></u>	<u><u>\$ 5,252,747</u></u>

**LOGAN ELM LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 107,651
Special	16,699
 <u>Support Services:</u>	
Pupil	1,179
Instructional staff	66,728
Administration	2,519
Fiscal	187
Operations and maintenance	6,850
Pupil transportation	78,499
Central	200
Extracurricular activities	26,771
Food service operations	<u>14,532</u>
 Total depreciation expense	 <u><u>\$ 321,815</u></u>

NOTE 8 - LONG-TERM OBLIGATIONS

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

	Balance at			Balance at	Amounts
	<u>6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/04</u>	<u>Due in</u>
					<u>One Year</u>
Governmental Activities:					
Compensated absences	<u>\$1,102,226</u>	<u>\$ 86,088</u>	<u>\$(134,647)</u>	<u>\$ 1,053,667</u>	<u>\$ 86,088</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, 2004, are a voted debt margin of \$23,901,883 and an unvoted debt margin of \$265,576.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - 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 10 - 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 2004, the District contracted with Nationwide Insurance for liability, property, fleet, crime, and inland marine coverage. The District also purchases faithful performance bonds from Nationwide. Coverages provided at June 30, 2004 are as follows:

Building and Contents (\$2,500 deductible)	\$32,367,770
Inland Marine (\$1,000 deductible)	125,000
Automobile Liability (\$1,000 deductible)	3,000,000
Crime (\$1,000 deductible)	
Theft, Inside or Outside the Premises	10,000
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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - RISK MANAGEMENT - (Continued)

B. Health/Medical and Dental Insurance

Health and dental insurance is offered to employees through self-insurance internal service funds. Klais & Company, Inc., is the third party administrator for both 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. Klais & Company, Inc., 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, 2004</u>	<u>June 30, 2003</u>
Claims liabilities at beginning of fiscal year	\$ 205,057	\$ 285,174
Incurred claims	2,512,174	2,202,000
Claims paid	<u>(2,417,410)</u>	<u>(2,282,117)</u>
Claims liabilities at end of fiscal year	<u>\$ 299,821</u>	<u>\$ 205,057</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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides 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 State Statute 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 43215-3476, 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 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% 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 to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$234,195, \$199,147, and \$128,457, respectively; 50.00% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$117,097 represents the unpaid contribution for fiscal year 2004.

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 Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution, or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. 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 43215-3771, or by calling (614) 227-4090 or by visiting the STRS Ohio website at www.strsoh.org.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System (Continued)

Plan Options - New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally in a biweekly basis. 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.

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits - Plan benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the lapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, which comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law health care benefits are not guaranteed.

A Defined Benefit 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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 2004, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 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 to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,127,991, \$1,035,060, and \$710,187, respectively; 83.33% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$187,999 represents the unpaid contribution for fiscal year 2004.

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, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 12 - 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. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Revised Code grants authority to STRS to provide health care coverage to eligible benefit recipients, spouses, and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the average paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The State Teachers Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2004, and June 30, 2003, the board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$86,769 during fiscal 2004. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit participants.

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.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the health care allocation is 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between the minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at 24,500. This 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.

Health care benefits are financed on a pay-as-you-go basis. 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, were \$220,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement Systems' net assets available for payment of health care benefits were \$300.8 million. The number of benefit recipients currently receiving health care benefits is approximately 62,000. For the District, the amount to fund health care benefits, including surcharge, equaled \$161,331 during the 2004 fiscal year.

NOTE 13 - 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:

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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).

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	\$ (1,474,222)
Net adjustment for revenue accruals	(99,438)
Net adjustment for expenditure accruals	(98,081)
Net adjustment for other sources/uses	(167,854)
Adjustment for encumbrances	265,014
GAAP basis	\$ (1,574,581)

NOTE 14 - 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, 2004.

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...".

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 14 - CONTINGENCIES - (Continued)

B. School Funding Decision (Continued)

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.

NOTE 15 - 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, 2004, 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, 2003	\$ -	\$ -	\$ 170,623
Current year set-aside requirement	313,444	313,444	-
Current year offsets	(111,345)	(211,841)	-
Qualifying disbursements	<u>(379,335)</u>	<u>(345,909)</u>	<u>-</u>
Total	<u>\$ (177,236)</u>	<u>\$ (244,306)</u>	<u>\$ 170,623</u>
Balance carried forward to FY 2005	<u>\$ (177,236)</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, 2004 follows:

Amount restricted for budget stabilization	<u>\$ 170,623</u>
Total restricted assets	<u>\$ 170,623</u>

LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	316402678	10.550	\$0	\$32,993	\$0	\$32,993
National School Breakfast Program	05-PU 2003	10.553	3,658	0	3,658	0
National School Breakfast Program	05-PU 2004	10.553	7,871	0	7,871	0
Total National School Breakfast Program			11,529		11,529	
National School Lunch Program	LLP4-2003	10.555	42,734	0	42,734	0
National School Lunch Program	LLP4-2004	10.555	112,177	0	112,177	0
Total National School Lunch Program			154,911	0	154,911	0
TOTAL U.S. DEPARTMENT OF AGRICULTURE- NUTRITION CLUSTER			166,440	32,993	166,440	32,993
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I -Grants to Local Educational Agencies	C1S1-2003	84.010	23,476	0	67,340	0
Title I -Grants to Local Educational Agencies	C1S1-2004	84.010	399,235	0	378,840	0
Total Title I Grants to Local Educational Agencies			422,711	0	446,180	
Special Education Cluster:						
Special Education Grants to States	6B-SF-2003-P	84.027	34,933	0	53,909	0
Special Education Grants to States	6B-SF-2004	84.027	276,102	0	274,793	0
Total Special Education Grants to States			311,035		328,702	
Special Education - Preschool Grant	PGS1-2004	84.173	8,740	0	8,740	0
Total Special Education Cluster			319,775	0	337,442	0
Safe and Drug-Free Schools State Grants	DRS1-2003	84.186	(2,005)	0	0	0
Safe and Drug-Free Schools State Grants	DRS1-2004	84.186	16,878	0	16,188	0
Total Safe and Drug-Free School and Communities			14,873		16,188	
Innovative Educational Program Strategies	C2S1-2003	84.298	10,567	0	16,110	0
Innovative Educational Program Strategies	C2S1-2004	84.298	12,349	0	11,395	0
Total Innovative Educational Program Strategies			22,916	0	27,505	0
Education Technology State Grants	TJS1-2003	84.318	(1,800)	0	0	0
Education Technology State Grants	TJS1-2004	84.318	10,851	0	9,481	0
Total Education Technology State Grants			9,051	0	9,481	0
Comprehensive School Reform Demonstration Grant	RFS2-2002	84.332	18,750	0	67,550	0
Comprehensive School Reform Demonstration Grant	RFS2-2003	84.332	137,839	0	140,619	0
Total Comprehensive School Reform Demonstration Grant			156,589		208,169	
Improving Teacher Quality State Grants	TRS1-2003	84.367	11,533	0	21,615	0
Improving Teacher Quality State Grants	TRS1-2004	84.367	131,392	0	119,324	0
Total Improving Teacher Quality State Grants			142,925	0	140,939	0
<i>Total Passed Through Ohio Department of Education</i>			1,088,840	0	1,185,904	0
<i>Passed Through Ohio School Facilities Commission</i>						
School Renovation Grants	316402678	84.352A	320,331	0	470,022	0
TOTAL U.S.DEPARTMENT OF EDUCATION			1,409,171	0	1,655,926	0
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of MRDD</i>						
Medical Assistance Programs	316402678	93.778	1,916	0	1,916	0
TOTAL U.S.DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,916	0	1,916	0
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			\$1,577,527	\$32,993	\$1,824,282	\$32,993

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2004**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – 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 2003 and 2004 special cost centers for the following: CFDA #'s 84.010-\$6,174, 84.186-\$2,005, 84.298-\$433, 84.318-\$1,800, and 84.367-\$8,000. 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 the Ohio Department of Education.

NOTE D- REFUND OF FUNDS

The District refunded \$20,288 in unspent grant monies to the Ohio School Facilities Commission for CFDA 84.352A due to completion of the project. The cost of the school repairs was less than originally estimated which caused the District to refund funds back to the pass through agent.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 we must report under *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 for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 31, 2005.

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

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

Betty Montgomery
Auditor of State

January 31, 2005



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS 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 the Logan Elm Local School District, Pickaway County, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the 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 programs for the year ended June 30, 2004. However, we noted certain immaterial instances of noncompliance that do not require inclusion in this report that we have reported to management of the District in a separate letter dated January 31, 2005.

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Internal Control Over Compliance

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

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

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



Betty Montgomery
Auditor of State

January 31, 2005

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

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):	School Renovation Grant – CFDA# 84.352A Comprehensive School Reform Demonstration – CFDA# 84.332
<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
APRIL 14, 2005**