

Logan County Financial Condition

Single Audit

January 1, 2003 Through December 31, 2003

Fiscal Year Audited Under GAGAS: 2003



BALESTRA, HARR & SCHERER

CERTIFIED PUBLIC ACCOUNTANTS

528 S. WEST STREET, P.O. Box 687

PIKETON, OHIO 45661

TELEPHONE (740) 289-4131

FAX (740) 289-3639

www.bhscpas.com



**Auditor of State
Betty Montgomery**

County Commissioners
Logan County
100 South Madriver St.
Bellefountaine, Ohio 43311

We have reviewed the Independent Auditor's Report of the Logan County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2003 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Logan County is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 20, 2004

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**Logan County Financial Condition
Basic Financial Statements
For the Year Ended December 31, 2003**

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**Logan County Financial Condition
Basic Financial Statements
For the Year Ended December 31, 2003**

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PIKETON, OHIO 45661

TELEPHONE: (740) 289-4131 FACSIMILE: (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

To the Offices, Boards and
Commissioners of Logan County
100 South Madriver Street
Bellefontaine, Ohio 43311

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Logan County, Ohio (the County), as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County'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 basic 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 the 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund, Auto and Gas fund, Children Services fund, and the Board of MRDD fund 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 June 28, 2004, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Offices, Boards and
Commissioners of Logan County
Independent Auditor's Report
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 4 to the basic financial statements, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

June 28, 2004

Logan County
Management's Discussion and Analysis
For the Year Ended December 31, 2003

Unaudited

The discussion and analysis of Logan County's financial performance provides an overall view of the County's financial activities for the Year Ended December 31, 2003. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review notes to the basic financial statements, and the financial statements themselves, to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- ❑ The County's net assets decreased \$117,103 as a result of this year's operations. Net assets of our business-type activities increased \$34,161 or .3 percent, and net assets of our governmental activities decreased \$151,264 or .2 percent.
- ❑ During the year, the County had expenses for governmental activities \$18.9 million more than the \$16.8 million generated in revenues and other program revenues. Business-Type activities had expenses \$1 million more than the \$6.8 million in program revenues generated for such expenses.

Using this Annual Financial Report

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 Logan County 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 County, presenting both an aggregate view of the County'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 County's most significant funds with all other non-major funds presented in total in one column. In the case of the Logan County, the General Fund is by far the most significant fund.

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the County as a whole, the *financial position* of the County has diminished. The cause of this is the result of many factors, some the County can control, some not. Non-controllable financial factors include the County's insurance costs, Workers Compensation costs, the economy, interest rates, and revenues or expenses determined by laws in Ohio restricting revenue growth, required programs and other factors.

Logan County
Management's Discussion and Analysis
For the Year Ended December 31, 2003

Unaudited

In the Statement of Net Assets and the Statement of Activities, the County is divided into two distinct kinds of activities:

- " Governmental Activities - Most of the County's programs and services are reported here including public safety, public works, health, human services, conservation and recreation, economic development, urban redevelopment, legislative and executive, and judicial.
- " Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Indian Lake Water Pollution Control District Fund and the Logan Acres County Home Funds are reported as business activities.

Reporting the County's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, the Auto and Gas Fund, the MRDD Fund and the Children Services Fund.

Governmental Funds Most of the County'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 into cash. The governmental fund statements provide a detailed *short-term view* of the County'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 County operations. 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 financial statements.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

The County as a Whole

Recall that the Statement of Net Assets provides the perspective of the County as a whole.

Logan County
Management's Discussion and Analysis
For the Year Ended December 31, 2003

Unaudited

Table 1 provides a summary of the County's net assets for 2003:

Table 1 Net Assets (In Millions)			
	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Assets			
Current and Other Assets	\$ 29.7	\$ 3.8	\$ 33.5
Capital Assets, Net	61.2	12.6	73.8
Total Assets	90.9	16.4	107.3
Liabilities			
Other Liabilities	6.6	0.5	7.1
Long-Term Liabilities	9.5	5.1	14.6
Total Liabilities	16.1	5.6	21.7
Net Assets			
Invested in Capital Assets, Net of Debt	52.9	8.7	61.6
Restricted	4.0	-	4.0
Unrestricted (Deficit)	17.9	2.1	20.0
Total Net Assets	\$ 74.8	\$ 10.8	\$ 85.6

This is the first year for GASB 34 reporting for the Logan County. Therefore comparisons with 2002 are not shown.

Logan County
Management's Discussion and Analysis
For the Year Ended December 31, 2003

Unaudited

Table 2 shows the changes in net assets for the year 2003. Since this is the first year the County has prepared financial statements following GASB Statement 34, revenue and expense is shown for year ending 2003 only.

Table 2
 Changes in Net Assets
 (In Millions)

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Revenue			
Program Revenues:			
Charges for Services	\$ 5.2	\$ 5.0	\$ 9.5
Operating Grants	10.6	2.4	13.0
Capital Grants	1.0	.2	1.2
General Revenue:			
Property Taxes	6.7	-	6.6
Grants and Entitlements	3.8	-	3.8
Sales Tax	4.9	-	4.9
Other	2.3	.1	2.5
Total Revenues	\$ 34.5	\$ 7.7	\$ 41.5
Program Expenses			
General Government – Legislative and Executive	\$ 4.0	\$ -	\$ 4.0
General Government – Judicial	2.2	-	2.2
Public Safety	6.7	-	6.7
Public Works	7.3	-	7.3
Health	.6	-	.6
Human Service	12.2	-	12.2
Conservation and Recreation	.5	-	.5
Economic Development and Assistance	.2	-	.2
Urban Redevelopment and housing	.3	-	.3
Other	1.4	-	1.4
Interest and Fiscal Charges	.3	-	.3
Wastewater Pollution Control Fund	-	2.0	2.0
Logan Acres County Home Fund	-	4.6	4.6
HAZMAT Fund	-	-	-
Sheriff's Policing Fund	-	.1	.1
Total Expenses	35.7	6.7	42.4
Increase (Decrease) in Net Assets Before Transfers	(1.2)	\$ 1.0	\$ (0.9)
Transfers	1.0	(1.0)	-
Increase (Decrease) in Net Assets	\$ (0.2)	\$ -	\$ (0.2)

Logan County
Management's Discussion and Analysis
For the Year Ended December 31, 2003

Unaudited

Governmental Activities

While the budget is tight, no reductions were put into place during 2003, however the 2004 general fund reflects a flat or “no growth” plan.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government 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 entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3
 Governmental Activities
 (In Millions)

	Total Cost of Services 2003	Net Cost of Services 2003
General Government - Legislative and Executive	\$ 4.0	\$ 2.7
General Government - Judicial	2.2	1.3
Public Safety	6.7	4.3
Public Works	7.3	3.7
Health	.6	(.2)
Human Services	12.2	12.2
Conservation and Recreation	.5	(6.4)
Economic Development and Assistance	.2	.2
Urban Redevelopment and Housing	.3	-
Economic Opportunity	-	(.6)
Other	1.4	1.4
Interest and Fiscal Charges	.3	.3
	\$ 35.7	\$ 18.9
Total Expenses		

The dependence upon tax revenues for governmental activities is apparent. Over 95 percent of public safety and other human services are supported through taxes and other general revenues, for all governmental activities revenue support is 85 percent. The community, as a whole, is by far the primary support for the County.

Business-Type Activities

Business-type activities include the Water Pollution Control Fund and Logan Acres County Home Fund. These programs had revenues of \$7.6 million and expenses of \$6.7 million for the year 2003. As discussed earlier, management has reviewed the Water Pollution Control operations and fees were increased 3 percent in May 2003. Business activities receive no support from tax revenues.

Logan County
Management's Discussion and Analysis
For the Year Ended December 31, 2003

Unaudited

The County's Funds

Information about the County's major funds starts on page 24. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$33.0 million and expenditures of \$34.6 million. The net change in fund balance for the year was most significant in the General Fund, a decline of \$1.8 million. This decline indicated the County needed to increase its revenue base and/or decrease its expenditures to continue meeting County obligations as a whole.

General Fund Budgeting Highlights

The County'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 the year 2003 the County amended its General Fund budget numerous times. The County uses department based budgeting and the budgeting systems are designed to tightly control total department budgets but provide flexibility for site management.

For the General Fund, budget revenue was \$14.7 million, above original budget estimates of \$14.5 million. Based upon a sluggish economy, the county felt fortunate to be above estimates.

The County's 2003 ending unobligated General Fund cash balance was \$116,738 below the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2003 the County had \$74.7 million invested in land, buildings, equipment, vehicles, and infrastructure, of which \$61.2 million was in governmental activities. Table 4 shows the 2003 balances.

Table 4
 Capital Assets at December 31
 (Net of Depreciation, in Millions)

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Land	\$ 4.1	\$.2	\$ 4.3
Land Improvements	.3	.2	.5
Buildings and Improvements	15.3	.9	16.2
Machinery & Equipment	2.5	.6	3.1
Vehicles	1.8	-	1.8
Infrastructure	37.2	10.4	47.6
Construction in Progress	-	.3	.3
Totals	\$ 61.2	\$ 12.6	\$ 73.8

There was no significant increases in capital assets in 2003.

As of December 31, 2003, the County has contractual commitments for finishing Logan Acres County Home renovation project. The balance outstanding on this contract was \$.4 million.

Logan County
Management's Discussion and Analysis
For the Year Ended December 31, 2003

Unaudited

Debt

As of December 31, 2003 the County had \$13.3 million in bonds and notes outstanding, \$2.2 million due within one year. Table 5 summarizes bonds and notes outstanding.

Table 5
 Outstanding Debt, at Year End
 (In Millions)

	Governmental Activities 2003	Business- Type Activities 2003
Various Purpose Bonds, Series 2	\$ 8.3	\$ -
Sewer System Refunding Bonds	-	2.0
Sewer Special Assessment Bonds	-	.5
O.W.D.A. Loan	-	1.3
Capital Facilities Note	-	1.2
Total	\$ 8.3	\$ 5.0

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County.

The code further provides that the total voted and unvoted net debt of the County less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000, of the assessed valuation, plus one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

For the Future

The County is struggling financially. As the preceding information shows, the County heavily depends on its Sales Tax. As we begin 2004, the sales tax seems to be improving over last year's numbers and we trust this improvement to continue.

In conclusion, the County has committed itself to financial responsibility for many years. In addition, the County's systems of budgeting and internal controls are well regarded. All of the County's financial abilities will be needed to meet the challenges of the future.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information contact Michael E. Yoder, County Auditor, 100 South Madriver Street, Bellefontaine, Ohio 43311. Or e-mail at myoder@co.logan.oh.us or telephone at (937) 599-7209.

Logan County
Statement of Net Assets
December 31, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Equity with County Treasurer	\$17,928,656	\$2,370,650	\$20,299,306	\$0
Cash and Cash Equivalents:				
With Fiscal Agents	0	28,274	28,274	448,662
Receivables:				
Taxes	5,525,023	0	5,525,023	0
Accounts	900,380	190,763	1,091,143	30,422
Special Assessments	94,935	721,127	816,062	0
Accrued Interest	121,331	0	121,331	0
Due From Other Governments	4,596,293	409,578	5,005,871	0
Prepaid Items	83,278	0	83,278	1,000
Material and Supplies Inventory	454,645	59,778	514,423	0
Unamortized Bond Issue Costs	0	38,223	38,223	0
Land and Construction in Progress	4,104,446	205,526	4,309,972	0
Capital assets, Net of Depreciation	57,140,779	12,437,117	69,577,896	23,116
Total Assets	\$90,949,766	\$16,461,036	\$107,410,802	\$503,200
Liabilities				
Accounts Payable	\$1,189,307	\$167,981	\$1,357,288	\$15,145
Accrued Wages	579,755	204,647	784,402	0
Due to Other Governments	415,230	86,318	501,548	0
Deferred Revenue	4,349,669	0	4,349,669	0
Deposits Held and due to Others	0	27,774	27,774	0
Accrued Interest Payable	55,527	28,678	84,205	0
Unamortized Premiums on Bonds	56,599	0	56,599	0
Long-Term Liabilities				
Due Within One Year	1,489,006	2,023,364	3,512,370	0
Due in More than One Year	8,002,334	3,122,340	11,124,674	0
Total Liabilities	16,137,427	5,661,102	21,798,529	15,145
Net Assets				
Invested in Capital Assets, Net of Related Debt	52,880,154	8,655,537	61,535,691	23,116
Restricted for:				
Capital Projects	1,877,845	0	1,877,845	0
Other Purposes	2,167,272	0	2,167,272	0
Unrestricted	17,887,068	2,144,397	20,031,465	464,939
Total Net Assets	\$74,812,339	\$10,799,934	\$85,612,273	\$488,055

See accompanying notes to the basic financial statements.

Logan County
Statement of Activities
For the Year Ended December 31, 2003

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government:								
Governmental Activities:								
General Government:								
Legislative and Executive	\$3,987,783	\$1,335,237	\$0	\$0	(\$2,652,546)		(\$2,652,546)	
Judicial	2,170,083	545,327	282,837	0	(1,341,919)		(1,341,919)	
Public Safety	6,699,539	910,290	534,389	960,000	(4,294,860)		(4,294,860)	
Public Works	7,278,125	251,764	3,345,221	0	(3,681,140)		(3,681,140)	
Health	649,799	840,717	0	0	190,918		190,918	
Human Service	12,195,981	0	0	0	(12,195,981)		(12,195,981)	
Conservation and Recreation	461,962	1,307,220	5,578,466	0	6,423,724		6,423,724	
Economic Development and Assistance	203,396	0	43,322	0	(160,074)		(160,074)	
Urban Redevelopment and Housing	267,463	19,731	291,822	0	44,090		44,090	
Economic Opportunity	0	0	551,565	0	551,565		551,565	
Other	1,407,612	0	0	0	(1,407,612)		(1,407,612)	
Interest and Fiscal Charges	338,523	0	0	0	(338,523)		(338,523)	
Total Governmental Activities	35,660,266	5,210,286	10,627,622	960,000	(18,862,358)		(18,862,358)	
Business-Type activities:								
Wastewater Pollution Control Fund	2,032,654	2,741,058	0	49,352		\$757,756	757,756	
Logan Acres County Home Fund	4,587,620	2,242,473	2,402,487	182,670		240,010	240,010	
HAZMAT Fund	9,148	0	1,680	0		(7,468)	(7,468)	
Sheriff's Policing Fund	64,562	65,660	0	0		1,098	1,098	
Total Business-Type activities	6,693,984	5,049,191	2,404,167	232,022	0	991,396	991,396	
Total Primary Government	\$42,354,250	\$10,259,477	\$13,031,789	\$1,192,022	(\$18,862,358)	\$991,396	(\$17,870,962)	
Component Units:								
RTC Industries, Inc.	\$515,685	\$453,358	\$0	\$0				(\$62,327)
Total Component Units	\$515,685	\$453,358	\$0	\$0				(\$62,327)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					6,671,826	0	6,671,826	0
Fines & Forfeitures					338,481	0	338,481	0
Grants and Contributions Not Restricted to Specific Programs					3,754,085	0	3,754,085	0
Sales Tax					4,897,209	0	4,897,209	0
Unrestricted Investment Earnings					728,442	53,853	782,295	360
Miscellaneous					1,240,773	69,190	1,309,963	160,312
Transfers					1,080,278	(1,080,278)	0	0
Total general revenues and transfers					18,711,094	(957,235)	17,753,859	160,672
Change in net assets					(151,264)	34,161	(117,103)	98,345
Net assets - January 1, 2003 (Restated - See Note 4)					74,963,603	10,765,773	85,729,376	389,710
Net assets - December 31, 2003					\$74,812,339	\$10,799,934	\$85,612,273	\$488,055

See accompanying notes to the basic financial statements.

**Logan County
Balance Sheet
Governmental Funds
December 31, 2003**

	General	Auto and Gas	Children Services	Board of MRDD	Other Governmental Funds	Total Governmental Funds
Assets and Other Debits						
Assets						
Equity with County Treasurer	\$5,029,094	\$370,833	\$2,177,814	\$1,829,625	\$7,558,578	\$16,965,944
Receivables:						
Taxes	2,567,864	0	947,852	2,009,307	0	5,525,023
Accounts	653,097	3,758	0	8,568	234,957	900,380
Special Assessments	0	0	0	0	94,935	94,935
Accrued Interest	121,331	0	0	0	0	121,331
Due from Other Funds	962,712	0	0	0	0	962,712
Due from Other Governments	1,212,126	1,785,146	4,785	105,879	1,488,357	4,596,293
Prepaid Items	77,731	2,236	1,761	0	1,550	83,278
Material and Supply Inventory	39,715	386,628	18,134	8,946	1,222	454,645
Advances from Other Funds	193,688	0	0	0	0	193,688
Total Assets	\$10,857,358	\$2,548,601	\$3,150,346	\$3,962,325	\$9,379,599	\$29,898,229
Liabilities						
Accounts Payable	\$653,495	\$50,298	\$74,549	\$51,029	\$359,936	\$1,189,307
Accrued Wages	225,033	87,630	79,605	86,602	100,885	579,755
Due to Other Governments	190,879	43,181	30,487	74,829	75,854	415,230
Deferred Revenue	3,261,009	1,563,696	915,907	2,025,898	1,537,798	9,304,308
Advances to Other Funds	0	0	0	0	193,688	193,688
Total Liabilities	4,330,416	1,744,805	1,100,548	2,238,358	2,268,161	11,682,288
Fund Balances:						
Reserved for Encumbrances	415,045	9,378	39,498	14,081	577,800	1,055,802
Reserved for Inventory	39,715	386,628	18,134	8,946	1,222	454,645
Reserved for Advances	656,825	0	0	0	0	656,825
Unreserved (Deficit)	5,415,357	0	0	0	(5,398)	5,409,959
Unreserved, Reported in:						
Special Revenue Funds	0	407,790	1,992,166	1,700,940	4,659,969	8,760,865
Capital Projects Funds	0	0	0	0	1,877,845	1,877,845
Total Fund Balances	6,526,942	803,796	2,049,798	1,723,967	7,111,438	18,215,941
Total Liabilities and Fund Balances	\$10,857,358	\$2,548,601	\$3,150,346	\$3,962,325	\$9,379,599	\$29,898,229

**Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2003**

Total Governmental Fund Balances	\$18,215,941
<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.	61,245,225
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:	
Sales Taxes	558,158
Delinquent Taxes	543,965
Grants	3,774,770
Accrued Interest On Investments	77,746
	4,954,639
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Accrued Interest Payable	(\$55,527)
Unamortized Premiums on Bonds	(56,599)
Bonds & Notes	(8,295,000)
Capital Leases Payable	(70,071)
Compensated Absences Payable	(1,126,269)
Net Assets of Governmental Activities	<u>\$74,812,339</u>

See accompanying notes to the basic financial statements.

Logan County
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Auto And Gas	Board of MRDD	Children Services	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$2,296,007	\$0	\$2,536,233	\$894,390	\$546,599	\$6,273,229
Intergovernmental	8,582,587	3,078,305	1,512,745	1,216,566	4,690,495	19,080,698
Investment Income	740,570	0	0	0	84,589	825,159
Licenses and Permits	137,615	0	0	0	51,547	189,162
Fines and Forfeitures	139,315	58,318	0	0	140,848	338,481
Special Assessments	0	0	0	0	100,428	100,428
Charges for Services	2,331,310	150,756	82,229	1,209	2,544,354	5,109,858
Miscellaneous	194,948	24,578	268,648	12,507	550,930	1,051,611
Total Revenue	14,422,352	3,311,957	4,399,855	2,124,672	8,709,790	32,968,626
Expenditures:						
Current:						
General Government:						
Legislative and Executive	3,245,485	0	0	0	657,410	3,902,895
Judicial	1,822,681	0	0	0	354,427	2,177,108
Public Safety	5,821,484	0	0	0	620,947	6,442,431
Public Works	2,490,053	3,456,991	0	0	197,912	6,144,956
Health	64,478	0	0	0	581,325	645,803
Human Service	198,855	0	4,482,971	2,216,337	4,765,170	11,663,333
Conservation and Recreation	418,640	0	0	0	43,322	461,962
Economic Development and Assistance	0	0	0	0	200,998	200,998
Urban Redevelopment and Housing	0	0	0	0	267,463	267,463
Other	1,407,612	0	0	0	0	1,407,612
Capital Outlay	376,398	0	0	0	219,337	595,735
Debt Service:						
Principal Retirement	32,090	0	0	0	340,000	372,090
Interest and Fiscal Charges	6,130	0	0	0	373,856	379,986
Total Expenditures	15,883,906	3,456,991	4,482,971	2,216,337	8,622,167	34,662,372
Excess of Revenues Over (Under) Expenditures	(1,461,554)	(145,034)	(83,116)	(91,665)	87,623	(1,693,746)
Other Financing Sources (Uses):						
Operating Transfers In	25,000	50,000	0	0	2,098,081	2,173,081
Operating Transfers Out	(321,743)	0	0	0	(771,060)	(1,092,803)
Total Other Sources (Uses)	(296,743)	50,000	0	0	1,327,021	1,080,278
Net Change in Fund Balance	(1,758,297)	(95,034)	(83,116)	(91,665)	1,414,644	(613,468)
Fund Balances (Deficit) at						
Beginning of Year (Restated - See Note 4)	8,299,276	896,541	1,810,461	2,145,209	5,697,104	18,848,591
Increase (Decrease) in Reserve for Inventory	(14,037)	2,289	(3,378)	(3,746)	(310)	(19,182)
Fund Balances (Deficits) End of Year	\$6,526,942	\$803,796	\$1,723,967	\$2,049,798	\$7,111,438	\$18,215,941

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2003**

Net Change in Fund Balances-Total Governmental Funds (5613,468)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activity the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay was over (under) depreciation in the current period.

Capital Outlay	\$1,290,542	
Depreciation	(2,664,334)	(1,373,792)

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

Sales Taxes	\$217,142	
Intergovernmental Grants	1,339,673	
Accrued Interest	(96,717)	1,460,098

Principal payments of long term debt are reported as expenditures in governmental funds, but reduces long-term liabilities in the statement of net assets.

372,090

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

41,463

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

(Decrease) in Reserve for Inventory	(\$19,182)	
Increase in Compensated Absences	(18,473)	(37,655)

Change in Net Assets of Governmental Activities (\$151,264)

See accompanying notes to the basic financial statements.

Logan County
Statement of Revenues, Expenditures and Change
in Fund Balance - Budget (Non-GAAP) and Actual
General Fund

For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$2,293,500	\$2,293,500	\$2,309,333	\$15,833
Intergovernmental	8,177,000	8,667,800	8,485,878	(181,922)
Investment Income	1,005,000	1,173,955	1,143,998	(29,957)
Licenses and Permits	139,700	139,700	137,615	(2,085)
Fines and Forfeitures	167,500	167,500	138,410	(29,090)
Charges for Services	2,041,000	2,048,275	2,391,892	343,617
Miscellaneous	641,300	228,975	196,521	(32,454)
Total Revenue	14,465,000	14,719,705	14,803,647	83,942
Expenditures:				
Current:				
General Government:				
Legislative and Executive	2,993,293	3,519,173	3,541,698	(22,525)
Judicial	1,657,794	1,819,940	1,869,538	(49,598)
Public Safety	5,590,250	5,660,420	5,978,307	(317,887)
Public Works	2,317,800	2,702,775	2,610,385	92,390
Health	304,819	143,329	81,963	61,366
Human Services	405,585	287,021	269,569	17,452
Conservation and Recreation	418,640	418,640	418,640	0
Other	1,711,819	1,508,184	1,520,456	(12,272)
Capital Outlay	0	377,285	376,398	887
Debt Service:				
Principal Retirement	0	32,090	32,090	0
Interest and Fiscal Charges	0	6,130	6,130	0
Total Expenditures	15,400,000	16,474,987	16,705,174	(230,187)
Excess of Revenues Over (Under) Expenditures	(935,000)	(1,755,282)	(1,901,527)	(146,245)
Other Financing Sources (Uses):				
Advances - In	35,000	99,250	74,491	(24,759)
Operating Transfers - In	0	0	25,000	25,000
Operating Transfers - Out	(100,000)	(351,008)	(321,742)	29,266
Total Other Sources (Uses)	(65,000)	(251,758)	(222,251)	29,507
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(1,000,000)	(2,007,040)	(2,123,778)	(116,738)
Fund Balances (Deficit) at Beginning of Year	5,104,111	5,104,111	5,104,111	0
Prior Year Encumbrances Appropriated	981,690	981,690	981,690	0
Fund Balances (Deficit) at End of Year	\$5,085,801	\$4,078,761	\$3,962,023	(\$116,738)

See accompanying notes to the basic financial statements.

Logan County
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP) and Actual
Auto and Gas Fund

For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$3,030,000	\$3,030,000	\$3,129,248	\$99,248
Investment Income	25,000	25,000	0	(25,000)
Fines and Forfeitures	45,000	45,000	59,561	14,561
Charges for Services	142,000	142,000	174,587	32,587
Miscellaneous	100,000	100,000	24,579	(75,421)
Total Revenue	3,342,000	3,342,000	3,387,975	45,975
Expenditures:				
Current:				
Public Works	3,780,378	3,790,378	3,554,328	236,050
Total Expenditures	3,780,378	3,790,378	3,554,328	236,050
Excess of Revenues Over (Under) Expenditures	(438,378)	(448,378)	(166,353)	282,025
Other Financing Sources (Uses):				
Operating Transfers - In	260,000	260,000	50,000	(210,000)
Total Other Sources (Uses)	260,000	260,000	50,000	(210,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(178,378)	(188,378)	(116,353)	72,025
Fund Balances (Deficit) at Beginning of Year	358,096	358,096	358,096	0
Prior Year Encumbrances Appropriated	71,034	71,034	71,034	0
Fund Balances (Deficit) at End of Year	\$250,752	\$240,752	\$312,777	\$72,025

See accompanying notes to the basic financial statements

Logan County
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP) and Actual
Children Services Fund

For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$833,000	\$833,000	\$887,933	\$54,933
Intergovernmental	1,441,624	1,441,624	1,251,254	(190,370)
Charges for Services	2,500	2,500	1,209	(1,291)
Miscellaneous	14,000	14,000	12,507	(1,493)
Total Revenue	2,291,124	2,291,124	2,152,903	(138,221)
Expenditures:				
Current:				
Human Services	3,106,000	3,106,000	2,317,530	788,470
Total Expenditures	3,106,000	3,106,000	2,317,530	788,470
Excess of Revenues Over (Under) Expenditures	(814,876)	(814,876)	(164,627)	650,249
Fund Balances (Deficit) at Beginning of Year	2,113,794	2,113,794	2,113,794	0
Prior Year Encumbrances Appropriated	114,601	114,601	114,601	0
Fund Balances (Deficit) at End of Year	\$1,413,519	\$1,413,519	\$2,063,768	\$650,249

See accompanying notes to the basic financial statements.

Logan County
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP) and Actual
MRDD Fund

For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$2,475,000	\$2,475,000	\$2,537,528	\$62,528
Intergovernmental	1,245,441	1,266,787	1,538,115	271,328
Charges for Services	91,480	81,480	144,691	63,211
Miscellaneous	65,993	65,993	151,472	85,479
Total Revenue	<u>3,877,914</u>	<u>3,889,260</u>	<u>4,371,806</u>	<u>482,546</u>
Expenditures:				
Current:				
Human Services	<u>5,744,298</u>	<u>5,744,298</u>	<u>4,525,305</u>	<u>1,218,993</u>
Total Expenditures	<u>5,744,298</u>	<u>5,744,298</u>	<u>4,525,305</u>	<u>1,218,993</u>
Excess of Revenues Over (Under) Expenditures	(1,866,384)	(1,855,038)	(153,499)	1,701,539
Fund Balances (Deficit) at Beginning of Year	1,880,381	1,880,381	1,880,381	0
Prior Year Encumbrances Appropriated	<u>41,960</u>	<u>41,960</u>	<u>41,960</u>	<u>0</u>
Fund Balances (Deficit) at End of Year	<u><u>\$55,957</u></u>	<u><u>\$67,303</u></u>	<u><u>\$1,768,842</u></u>	<u><u>\$1,701,539</u></u>

See accompanying notes to the basic financial statements

Logan County
Statement of Net Assets
Proprietary Funds
December 31, 2003

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Pollution Control	Logan Acres Home	Other Enterprise Funds	Total	
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,817,925	\$511,087	\$41,638	\$2,370,650	\$962,712
Cash and Cash Equivalents:					
With Fiscal Agents	7,516	20,758	0	28,274	0
Receivables:					
Accounts	185,503	0	5,260	190,763	0
Special Assessments	721,127	0	0	721,127	0
Due from Other Governments	0	409,578	0	409,578	0
Material and Supplies Inventory	0	59,778	0	59,778	0
Unamortized Bond Issue Costs	38,223	0	0	38,223	0
Total Current Assets	2,770,294	1,001,201	46,898	3,818,393	962,712
Capital Assets, (Net of Accumulated Depreciation)	11,899,747	725,223	17,673	12,642,643	0
Total Assets	\$14,670,041	\$1,726,424	\$64,571	\$16,461,036	\$962,712
Liabilities					
Accounts Payable	\$53,709	\$110,698	\$3,574	\$167,981	\$0
Accrued Wages	15,592	186,820	2,235	204,647	0
Compensated Absences Payable	59,313	162,683	0	221,996	0
Due to Other Funds	0	0	0	0	962,712
Due to Other Governments	13,355	72,533	430	86,318	0
Deposits Held and Due to Others	7,416	20,358	0	27,774	0
Accrued Interest Payable	13,720	14,958	0	28,678	0
Bonds & Notes Payable - Current	650,488	1,200,000	0	1,850,488	0
Total Current Liabilities	813,593	1,768,050	6,239	2,587,882	962,712
Long-Term Liabilities:					
Revenue Bonds Payable	1,610,000	0	0	1,610,000	0
OWDA Loan Payable	1,153,220	0	0	1,153,220	0
General Obligation Bonds Payable	310,000	0	0	310,000	0
Total Long-Term Liabilities	3,073,220	0	0	3,073,220	0
Total Liabilities	3,886,813	1,768,050	6,239	5,661,102	962,712
Net Assets					
Invested in capital assets, net of related debt	8,176,039	461,825	17,673	8,655,537	0
Unrestricted	2,607,189	(503,451)	40,659	2,144,397	0
Total Net Assets	\$10,783,228	(\$41,626)	\$58,332	\$10,799,934	\$0

See accompanying notes to the basic financial statements.

Logan County
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds

For the Year Ended December 31, 2003

	Business-Type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Water Pollution Control	Logan Acres Home	Other Enterprise Funds		
Operating Revenues:					
Charges for Services	\$1,808,257	\$2,242,473	\$65,660	\$4,116,390	\$0
Special Assessment	932,801	0	0	932,801	0
Intergovernmental Revenue	0	2,402,487	1,680	2,404,167	0
Other Operating Revenues	16,182	45,958	7,050	69,190	23,291
Total Operating Revenues	2,757,240	4,690,918	74,390	7,522,548	23,291
Operating Expenses:					
Personal Services	613,007	3,311,642	56,715	3,981,364	0
Contractual Services	544,776	925,082	3,109	1,472,967	0
Claims and Judgements	0	0	0	0	122,530
Materials and Supplies	136,373	269,368	5,633	411,374	0
Other Operating Expense	25,288	12,620	5,725	43,633	0
Depreciation	481,577	53,950	2,528	538,055	0
Total Operating Expenses	1,801,021	4,572,662	73,710	6,447,393	122,530
 Operating Income (Loss)	 956,219	 118,256	 680	 1,075,155	 (99,239)
Non-Operating Revenues (Expenses):					
Interest Income	53,853	0	0	53,853	0
Interest and Fiscal Charges	(231,633)	(14,958)	0	(246,591)	0
Total Non-Operating Revenues (Expenses)	(177,780)	(14,958)	0	(192,738)	0
 Income (Loss) before contributions and transfers	 778,439	 103,298	 680	 882,417	 (99,239)
Capital Contributions - Other	0	182,670	0	182,670	0
Capital Contributions - Tap-In Fees	49,352	0	0	49,352	0
Transfers in	554,156	0	3,000	557,156	0
Transfers out	(543,799)	(1,093,635)	0	(1,637,434)	0
 Change in Net Assets	 838,148	 (807,667)	 3,680	 34,161	 (99,239)
Total Net Assets at Beginning of Year (Restated - See Note 4)	9,945,080	766,041	54,652	10,765,773	99,239
Total Net Assets at End of Year	\$10,783,228	(\$41,626)	\$58,332	\$10,799,934	\$0

See accompanying notes to the basic financial statements.

Logan County
Statement of Cash Flows-Proprietary Funds
For the Year Ended December 31, 2003

	Business-Type Activities - Enterprise Fund			Total	Governmental Activities - Internal Service Fund
	Water Pollution Control Fund	Logan Acres Fund	Other Enterprise Funds		
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash Received for Services	\$2,015,724	\$2,309,867	\$63,600	\$4,389,191	\$0
Cash Received from Other Governments	0	2,149,345	1,680	2,151,025	0
Cash Received from Other Operating Sources	16,182	45,958	7,050	69,190	23,291
Cash Payments to Suppliers for Goods and Services	(628,515)	(1,215,579)	(7,057)	(1,851,151)	0
Net Change in Deposits	96	(4,413)	0	(4,317)	0
Cash Payments to Employees for Services	(610,453)	(3,309,738)	(57,479)	(3,977,670)	0
Cash Payments for Claims	0	0	0	0	(122,530)
Cash Payments for Other Purposes	(25,288)	(12,383)	(5,725)	(43,396)	0
Net Cash Provided by (Used in) Operating Activities	767,746	(36,943)	2,069	732,872	(99,239)
Cash Flows from Noncapital Financing Activities:					
Operating Transfers In	554,156	0	3,000	557,156	0
Operating Transfers Out	(543,799)	(1,093,635)	0	(1,637,434)	0
Net Cash Provided by Noncapital Financing Activities	10,357	(1,093,635)	3,000	(1,080,278)	0
Cash Flows from Capital & Related Financing Activities:					
Proceeds from Notes	0	1,200,000	0	1,200,000	0
Principal Payments - Bonds	(635,208)	0	0	(635,208)	0
Payments for Capital Acquisitions	(301,090)	(154,926)	(3,154)	(459,170)	0
Capital Contributions - Tap-In Fees	47,482	0	0	47,482	0
Interest Paid	(216,851)	0	0	(216,851)	0
Net Cash Provided by Capital and Related Financing Activities	(1,105,667)	1,045,074	(3,154)	(63,747)	0
Cash flows from Investing Activities:					
Interest on Investments	53,853	0	0	53,853	0
Net Cash Provided by Investing Activities	53,853	0	0	53,853	0
Net Increase (Decrease) in Cash and Cash Equivalents	(273,711)	(85,504)	1,915	(357,300)	(99,239)
Cash and Cash Equivalents Beginning of Year (Restated)	2,099,152	617,349	39,723	2,756,224	1,061,951
Cash and Cash Equivalents End of Year	<u>\$1,825,441</u>	<u>\$531,845</u>	<u>\$41,638</u>	<u>\$2,398,924</u>	<u>\$962,712</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$956,219	\$118,256	\$680	\$1,075,155	(\$99,239)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation Expense	481,577	53,950	2,528	538,055	0
Non-Revenue Tap-In Fees	1,870	0	0	1,870	0
(Increase) Decrease in Assets:					
Accounts Receivable	(6,077)	67,394	(2,060)	59,257	0
Special Assessments Receivable	(35,206)	0	0	(35,206)	0
Due from Other Governments	0	(253,142)	0	(253,142)	0
Prepaid Items	59	276	0	335	0
Materials and Supplies Inventory	51,757	(54,090)	0	(2,333)	0
Increase (Decrease) in Liabilities:					
Accounts Payable	(46,280)	32,922	1,895	(11,463)	0
Accounts Payable from Capital Assets	46,978	0	0	46,978	0
Contracts Payable	0	0	(210)	(210)	0
Accrued Wages and Benefits	2,854	4,400	1,536	8,790	0
Compensated Absences Payable	428	5,425	0	5,853	0
Due to Other Governments	(608)	(7,921)	(2,300)	(10,829)	0
Deferred Revenue	(685,921)	(4,413)	0	(690,334)	0
Deposits Held for Others	96	0	0	96	0
Total Adjustments	(188,473)	(155,199)	1,389	(342,283)	0
Net Cash Provided by Operating Activities	\$767,746	(\$36,943)	\$2,069	\$732,872	(\$99,239)
Noncash Transactions					
Contributions of Capital Assets from Government	\$0	\$182,670	\$0	\$182,670	\$0
Acquisitions of Capital Assets through Governmental Capital Contributions	0	(182,670)	0	(182,670)	0
Net Effect of Noncash Transactions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

Logan County
Statement of Fiduciary Net Assets
Fiduciary Funds

December 31, 2003

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity with County Treasurer	\$173,481	\$3,070,941
Cash and Cash Equivalents:		
With Fiscal Agents	0	454,882
Receivables:		
Taxes	0	33,601,269
Accounts	0	22,851
Special Assessments	0	366,861
Accrued Interest	818	0
Due from Other Governments	0	1,160,903
 Total Assets	 <u>\$174,299</u>	 <u>\$38,677,707</u>
<u>Liabilities:</u>		
 Accounts Payable	 \$0	 \$42,751
Due to Other Governments	0	3,051,040
Deposits Held and Due to Others	0	454,882
Undistributed Monies	0	33,968,130
Deferred Revenue	0	1,160,903
Claims & Judgements Payable	73,952	0
 Total Liabilities	 <u>73,952</u>	 <u>\$38,677,706</u>
<u>Net Assets:</u>		
Restricted for:		
Reserved for Veterans	70,787	
Unrestricted:		
Undesignated Net Assets	29,560	
 Total Net Assets	 <u>\$100,347</u>	

See accompanying notes to the basic financial statements.

Logan County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

December 31, 2003

	Private Purpose Trust
<u>Additions:</u>	
Interest Revenue	\$3,355
Total Additions	3,355
<u>Deductions:</u>	
Expenses	12,491
Total Deductions	12,491
Change in Net Assets	(9,136)
Total Net Assets at Beginning of Year	109,483
Total Net Assets at End of Year	<u>\$100,347</u>

See accompanying notes to the basic financial statements.

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 1 -- DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

The County of Logan (the County) 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 County was formed by an act of the Ohio General Assembly in 1818. The three member Board of County Commissioners is the legislative and executive body of the County. The County Auditor is the chief fiscal officer. In addition, there are seven other elected administrative officials, each of whom is independent as set forth in Ohio Law. These officials are: Clerk of Courts, Coroner, Engineer, Prosecutor, Recorder, Sheriff, and Treasurer. The County's basic financial statements include accounts of all County's operations. The County's major operations include human and social services, certain health care and community assistance services, civil and criminal justice systems, road and bridge maintenance and general administrative services. In addition, a water pollution control system is also operated by the County.

Reporting Entity A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financials are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. The County provides public safety protection within its boundaries and adjacent townships by mutual agreement contracts. The County provides basic utilities in the form of wastewater treatment. The County constructs and maintains roads and bridges within the County. The County also operates and maintains a recreation and conservation system.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Components units may also include organizations that are fiscally dependent on the County in that the County approves their budget, the issuance of their debt or the levying of their taxes.

Based on the foregoing criteria, the financial activities of RTC Industries, Inc. has been reflected in the accompanying Basic Financial Statements as follows:

DISCRETELY PRESENTED COMPONENT UNIT

RTC Industries, Inc. - RTC Industries, Inc. (the Workshop) is a legally separate, nonprofit corporation, served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Logan County Board of Retardation and Developmental Disabilities, provides sheltered employment for adults with mental retardation or developmental disabilities in Logan County. The Logan County Board of MRDD provides the Workshop staff, salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and the Workshop's sole purpose of providing assistance to mentally retarded or developmentally disabled adults of Logan County, the Workshop is reflected as a component unit of the County. It is reported separately to emphasize that it is legally separate from the County. The Workshop is presented as a governmental fund type component unit in a separate column in the financial statements. Complete financial statements for RTC Industries, Inc. may be obtained from the administrative offices at 36 County Road 32, Bellefontaine, Ohio 43311.

JOINTLY GOVERNED ORGANIZATIONS

County Risk Sharing Authority, Inc. (CORSA) - CORSA is jointly governed by forty-one counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 1 -- DESCRIPTION OF THE ENTITY AND REPORTING ENTITY (Continued)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

Each member has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

RELATED ORGANIZATIONS

Knowlton Public Library - The County is not involved in the budgeting process or operational management of the Library, nor does it subsidize or finance its operations. The County acts as the Library's debt-servicing agent only to comply with statutory requirements.

EXCLUDED POTENTIAL COMPONENT UNITS

As counties are structured in Ohio, the County Auditor and County Treasurer, respectively, serve as fiscal officer and custodian of funds for various agencies, boards, and commissions. As fiscal officer, the Auditor certifies the availability of cash and appropriations prior to the processing of payments and purchases. As the custodian of all public funds, the Treasurer invests public monies held on deposit in the County Treasury.

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent and custodian, but does not exercise primary oversight responsibility; accordingly the following have been excluded from the County's financial statements:

Logan County Board of Health - The six member Board of Health is appointed by the District Advisory Council, which consists of Township Trustee Chairmen, Clerks and Mayors of participating municipalities. The Board adopts its own budget and operates autonomously from the County.

Soil and Water Conservation District - The five members of the District are independently elected officials. They adopt their own budget and control their separate operations.

Management believes the financial statements included in this report represent all of the funds of the County over which the County has the ability to exercise direct operating control.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Logan, Ohio (County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the provisions of GASB No. 20 the County has elected to apply Financial Accounting Standards Board Statements and interpretations issued before November 30, 1989 to its governmental and business type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described below:

A. **BASIS OF PRESENTATION**

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

A. BASIS OF PRESENTATION (Continued)

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except the fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each program of the County's governmental activities. 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 charges paid by the recipient of the 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 which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements

During the year, the County segregates transactions related to certain County programs or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at a more detailed level. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. FUND ACCOUNTING

The County uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary.

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 be 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 General fund, Auto and Gas Fund, MRDD Fund and Children Services Fund are the County's major governmental funds:

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 balances is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

B. FUND ACCOUNTING (Continued)

Auto and Gas Fund - The Auto and Gas Fund is used to account for monies received by the County for State gasoline tax and vehicle registration fees used for County road and bridge improvement programs.

Mental Retardation/Developmentally Disabilities (MRDD) Fund - The MRDD Fund is used to account for a County-wide property tax levy, State grants and reimbursements used for care and services for the mentally handicapped and retarded.

Children Services Fund - The Children Services Fund is used to account for a County-wide property tax levy, State grants and reimbursements used for County child care programs.

The other governmental funds of the County are for grants and other resources, debt service, and capital projects of the County whose uses are restricted to a particular purpose.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds focus on the determination of the changes in net assets, financial position and cash flows and are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The County's two major enterprise fund are:

Water Pollution Control Fund - The Water Pollution fund is used to account for the financial transactions related to the water treatment service operations of the County.

Logan Acres County Home Fund - The Logan Acres County Home is used to account for home services for individuals of Logan County.

Internal Service Funds - Internal Service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. The County's only trust fund (Chaste Stuart Fund) is a private trust fund recorded as part of the Fiduciary funds Activities because the fund does not supports any of the County's programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

C. MEASUREMENT FOCUS

Government Wide Financial Statements

The Government-wide Financial Statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the County are included on the Statement of Net Assets.

Fund Financial Statements

All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and others 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, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of 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 County finances and meets the cash flow needs of its proprietary activities.

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. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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 year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty days of year-end.

Non-exchange transactions, in which the County 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 year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

D. BASIS OF ACCOUNTING (Continued)

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used of the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 year-end: property taxes available as an advance, special assessments, interest, grants, and rentals.

Deferred Revenue

Deferred revenues, as reported on the combined balance sheet, arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Special assessments are recorded as deferred revenue because they do not meet the availability criteria. Property taxes that are measurable as of December 31, 2003, but are intended to finance 2004 operations, and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenue. Also non-exchange receivables have been deferred, such as, gasoline taxes, motor vehicle license fees, homestead and rollback, permissive license taxes, local government funds and CDBG, MRDD, VOCA, and other small grants. Revenue sources not susceptible to accrual include dog and vendor licenses, donations and some fines and forfeitures. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. BUDGET

An annual appropriated budget is legally required to be prepared for all funds of the County other than agency funds. The Commissioners appropriate at the major account level within a division and fund. The appropriation level accounts for the County include personal services, fringe benefits, county share of the Public Employees Retirement System, unemployment compensation, materials and supplies, services and charges, grants, capital outlays, debt service, interfund transfers, and other expenses. For funds which are directly appropriated by the Commissioners, transfers of appropriations at the major account level or between appropriation level require a resolution signed by at least two Commissioners.

Tax Budget:

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

E. **BUDGET** (Continued)

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the County Auditor by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2003.

Appropriations:

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period of January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes spending authority at the fund, department, and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an approval by at least two Commissioners. Several supplemental appropriation resolutions were legally enacted by the Commissioners during the year and were considered routine. The budget figures which appear in the statement of budgetary comparisons present the original and final appropriation amounts including all amendments and modifications.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures.

Lapsing of Appropriations:

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 year and need not be reappropriated.

LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

F. CASH AND INVESTMENTS

For GASB reporting purposes the County considers "Equity with County Treasurer" to be cash on hand, demand deposits, and all short-term investments (maturity less than 90 days) held by the County Treasurer; and "Cash with Fiscal and Escrow Agents" to be all cash, deposits, and investments not held by the County Treasurer or in the County's investment pool. The County Treasurer, by statute, invests all short-term cash surpluses. The residual investments are reported on the combined balance sheet as "Equity with County Treasurer". Interest income was credited to the General, Ludlow Center Regional Planning, Jail Construction, Water Pollution, and the Chase Stewart Private Purpose Trust Fund. Interest income earned by these funds in 2003 totaled \$882,367. Investments are reported at fair value (see footnote 5). All coupon bearing instruments include the cost of accrued interest paid until such time as the first coupon comes due. Premiums paid for coupon bearing investments are amortized using the straight-line method; discounts are not amortized.

G. INVENTORIES

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.

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

H. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

I. 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 government 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. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$500 dollars. Public domain ("infrastructure") general capital assets consisting of roads and bridges have been capitalized under new requirements of the Governmental Accounting Standards Board. 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's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful live of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

I. CAPITAL ASSETS (Continued)

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	15-20 years	15-20 years
Buildings and Improvements	50 years	50 years
Furniture and Equipment	10 years	10 years
Vehicles	5 years	5 years
Water Pollution Control Infrastructure		70 years
Roads	15 years	
Bridges	75 years	

J. INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as "Advance to/Advance from." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. COMPENSATED ABSENCES

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

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, 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 sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

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

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

County employees earn vacation at varying rates ranging from two to five weeks per year. Sick leave is accumulated at the rate of three weeks per year. Vacation and sick leave is accumulated on an hours-worked basis. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. The County does not accrue a liability for non-vested sick leave or vacation benefits except as required by GASB 16 (see above).

LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

L. 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 proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgements, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund statements only to the extent they will be paid with current, expendable, available resources. In general, payments made within thirty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

M. FUND BALANCE RESERVES

The County 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 balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, advances, and inventories of supplies and materials.

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 County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net assets restricted for other purposes represents balances in special revenue funds which are restricted to their use by grantors.

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

O. OPERATING REVENUES AND EXPENSE

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are water pollution control and county home resident charges for services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

P. CONTRIBUTION OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grant or outside contributions of resources restricted to capital acquisition and construction.

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

Q. INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the governmental-wide statements are reported in the same manner as general revenues.

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 and after non-operating revenues/expense in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented of the financial statements.

R. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2003.

S. ESTIMATES

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

NOTE 3 -- BUDGET BASIS OF ACCOUNTING

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 3 -- BUDGET BASIS OF ACCOUNTING (Continued)

	<u>Net Change in Fund Balance</u>			
	<u>General Fund and Major Special Revenue Funds</u>			
	<u>General Fund</u>	<u>Auto and Gas Fund</u>	<u>MRDD Fund</u>	<u>Children Services Fund</u>
Budget Basis	\$(2,123,778)	\$(116,353)	\$(153,499)	\$(164,627)
Adjustments:				
Revenue Accruals:				
Accrued 2002, Received in Cash 2003	(1,247,204)	(301,225)	(69,807)	(64,961)
Accrued 2003, Not yet Received in Cash	865,909	225,207	97,856	36,730
Expenditure Accruals:				
Accrued 2003, Not yet Paid in Cash	745,872	218,153	194,011	170,027
Accrued 2002, Paid in Cash 2003	(991,676)	(178,873)	(212,460)	(182,880)
Encumbrances	1,067,071	58,057	60,783	114,046
Advances	<u>(74,491)</u>	<u>-</u>	<u>-</u>	<u>-</u>
GAAP Basis	<u>\$(1,758,297)</u>	<u>\$(95,034)</u>	<u>\$(83,116)</u>	<u>\$(91,665)</u>

NOTE 4 -- CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

1. Changes in Accounting Principles

For 2003, the County has implemented GASB Statement No. 34 "Basic Financial Statements -and Management's Discussion and Analysis - for State and Local Government", No. 37 "Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments:Omnibus", and No. 38 "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements split the County's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net assets amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental fund at December 31, 2002, caused by the conversion to the accrual basis of accounting.

**LOGAN COUNTY FINANCIAL CONDITION
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NOTE 4 -- CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE (Continued)

2. Restatement of Fund Balance

These restatements had the following effects on fund balance of the major and non-major funds of the County as they were previously reported. The transition from governmental fund balance to net assets is presented. The transition from governmental fund balance to net assets of the government activities is also presented.

	<u>General</u>	<u>Auto and Gas</u>	<u>MRDD</u>	<u>Children Services</u>	<u>Non- Major</u>	<u>Total</u>
Fund Equity December 31, 2002	\$7,820,485	\$882,316	\$1,787,962	\$2,136,875	\$5,711,302	\$18,338,940
Interpretation No. 6	24,198	14,225	22,499	8,334	24,656	93,912
<u>Accounting Corrections</u>						
Internal Service balance due General Fund	962,712	-	-	-	-	962,712
Corrects Advances to actual	38,854				(38,854)	-
Accrued Interest Receivable not deferred	(174,463)	-	-	-	-	(174,463)
Prepaid Interest Overstated	(31,494)	-	-	-	-	(31,494)
Sales Tax not deferred	<u>(341,016)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(341,016)</u>
Adjusted Fund Equity	<u>\$8,299,276</u>	<u>\$896,541</u>	<u>\$1,810,461</u>	<u>\$2,145,209</u>	<u>\$5,697,104</u>	18,848,591
GASB 34 Adjustments:						
Capital Assets						62,619,017
Accrued Interest Payable						(61,184)
Unamortized Premium						(92,405)
Long-Term Liabilities						(9,844,957)
Long-Term (Deferred) Assets						<u>3,494,541</u>
Governmental Activities Net Assets, December 31, 2002						<u>\$74,963,603</u>

	<u>Proprietary Funds</u>	
	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
Fund Equity, December 31, 2002	\$10,687,271	\$1,100,071
Reclassification of Sheriff Policing Fund	28,077	(28,077)
Reclassification of COBRA Insurance Fund as Agency Fund	-	(10,043)
Reclassification of Materials and Supplies Inventory	50,425	-
Due to General Fund prior year	<u>-</u>	<u>(962,712)</u>
Adjusted Fund Equity	<u>\$10,765,773</u>	<u>\$99,239</u>

**LOGAN COUNTY FINANCIAL CONDITION
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NOTE 5 -- DEPOSITS AND INVESTMENTS

Deposits

State statutes classify deposits held by the County into three categories.

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

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

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

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

1. United State Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United State;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim monies available for investment at any one time for a period not to exceed one hundred eighty days.

**LOGAN COUNTY FINANCIAL CONDITION
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NOTE 5 -- DEPOSITS AND INVESTMENTS (Continued)

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

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

On Hand: At year-end \$9,650 was on hand throughout the County in the form of drawer change and petty cash.

Deposits At year-end, the carrying amount of the County's deposits was \$20,984,613 and the bank balance was \$21,761,145. Of the bank balance:

1. \$449,615 was covered by federal depository insurance, by collateral held by the County or by collateral held by a qualified third party trustee in the name of the County;
2. \$21,311,530 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in specific and collateralized pools securing all public fund on deposit with specific depository institutions.

Investments: Statutes authorize the County of Logan to invest in obligations of U.S. Treasury, agencies and instrumentalities, bonds and other obligations of this State, and repurchase agreements.

The County's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category B includes uninsured and unregistered investments for which the securities are held by the Trust department or agent in the County's name. Category C includes uninsured and unregistered investments for which securities are held by the Trust department but not in the County's name.

	Category			Fair
	1	2	3	Value
Repurchase Agreements	\$ -	\$ -	\$ 541,954	\$ 541,954
U. S. Government Securities	-	-	2,539,919	2,539,919
Other Investments	-	-	399,410	399,410
Total Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,481,283</u>	<u>\$3,481,283</u>

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 5 -- DEPOSITS AND INVESTMENTS (Continued)

A reconciliation between the classifications of pooled cash and cash equivalents and investments on the Combined Balance Sheet, the classifications of deposits, and investments presented above per GASB Statement No. 3 are as follows:

	<u>Equity with County Treasurer</u>	<u>Investments</u>
Per Combined Balance Sheet	\$ 24,475,546	\$ -
Less: Cash on Hand	(9,650)	
Reclassifications:		
Repurchase Agreements	(541,954)	541,954
U.S. Government Securities	(2,539,919)	2,539,919
Other Investments	<u>(399,410)</u>	<u>399,410</u>
Per GASB 3	<u>\$ 20,984,613</u>	<u>\$ 3,481,283</u>

NOTE 6 -- INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the County's operating transfers for 2003.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 25,000	\$ 321,743
Auto and Gas Fund	50,000	-
Nonmajor Special Revenue Funds:		
Public Assistance	118,864	-
Victim Witness Assistance	17,119	-
Litter from County Waste Disposal	132,600	-
Logan County Waste Disposal	-	210,600
Emergency Management	<u>23,003</u>	<u>-</u>
Total Special Revenue Funds	<u>291,586</u>	<u>210,600</u>
Nonmajor Debt Service Fund:		
Ditch Bond Retirement	20,069	-
E.B. Fry Ditch Bond Retirement	-	2,819
Elder-Cline Ditch Bond Retirement	-	17,250
Engineer and Library Bond Retirement Fund	115,025	-
Jail/Juvenile Detention Bond Fund	<u>577,766</u>	<u>-</u>
Total Debt Service Fund	<u>712,860</u>	<u>20,069</u>
Nonmajor Capital Projects Funds:		
Jail Construction Fund	-	540,391
Capital Improvements - Logan Acres Building	<u>1,093,635</u>	<u>-</u>
Total Capital Projects Funds	<u>1,093,635</u>	<u>540,391</u>

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 -- INTERFUND TRANSACTIONS (Continued)

Enterprise Funds:		
Logan Acres Operating Fund	-	1,093,635
Water Pollution Fund	554,156	543,799
Hazmat Fund	<u>3,000</u>	-
Total Enterprise Funds	<u>557,156</u>	<u>1,637,434</u>
Totals	<u>\$2,730,237</u>	<u>\$ 2,730,237</u>

NOTE 7 -- ADVANCES

A. The following interfund payables and receivables are due at December 31, 2003:

Fund	Advances From	Advances To
General Fund	\$ -	\$ 193,688
Nonmajor Special Revenue Funds:		
One Stop Shop	<u>70,000</u>	-
Total Special Revenue Funds	<u>70,000</u>	-
Nonmajor Debt Service: Funds:		
McClure 777 Construction	54,965	-
Southfort	28,118	-
Laughlin 773 Construction	<u>40,605</u>	-
Total Capital Projects Funds	<u>123,688</u>	-
Totals	<u>\$ 193,688</u>	<u>\$ 193,688</u>

NOTE 8 -- RECEIVABLES

Receivables at December 31, 2003, consisted primarily of sales taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, accrued interest on investments, and accounts receivable. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are currently 25% of true value. The assessed value upon which the 2003 taxes were collected was \$1,051,054,420. The full tax rate for all County operations applied to real property for the year ended December 31, 2003, was \$2.50 per \$1,000 of assessed valuation.

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 8 – RECEIVABLES (Continued)

Real property taxes for tax year 2003 are payable annually or semi-annually. If paid annually, payment is due February 10, 2003. If paid semi-annually, the first payment is due February 10, 2003 and the remainder payable by July 20, 2003. Under certain circumstances, state statute permits earlier or later payment dates to be established.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the tax collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date. The first \$10,000 of taxable value is exempt from taxation for each business by state law. The lien date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business files a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

"Real and Other Taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for estimated uncollectible) and real and public utility taxes which were measurable as of the year end. Since the current levy is not intended to finance 2003 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 30 days of 2004 are shown as 2003 revenue; the remainder are shown as "Deferred Revenue".

The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Local Government and Local Government	
Revenue Assistance	\$477,168
Homestead and Rollback	504,844
Gasoline and Excise Tax	826,890
Motor Vehicle License Tax	736,806
CDBG Formula Grants	271,900
Housing Improvement Program Grants	401,575
Home Investment Partnership Grants	87,425
Homeland Security Grant	236,822
Other Intergovernmental Grants	1,052,863
Total	\$4,596,293

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9 -- INSURANCE

The County is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters.

The County is a member of County Risk Sharing Authority, Inc. (CORSA) which is a shared risk pool of forty-one counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

The County continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003:

	<u>Balance</u> <u>12/31/02**</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/03</u>
Governmental Activities:				
Land	\$4,104,446	\$ -	\$ -	\$4,104,446
Land Improvements	409,958	-	-	409,958
Buildings and Improvements	18,433,101	400,965	-	18,834,066
Machinery & Equipment	8,023,014	546,032	(4,365)	8,564,681
Vehicles	3,609,611	343,545	(34,560)	3,918,596
Infrastructure-Road & Bridges	<u>45,308,699</u>	<u>-</u>	<u>-</u>	<u>45,308,699</u>
Total Capital Assets	\$79,888,829	1,290,542	(38,925)	81,140,446
Less Accumulated Depreciation:				
Land Improvements	(140,727)	(7,321)	-	(148,048)
Buildings and Improvements	(3,118,231)	(336,812)	-	(3,455,043)
Machinery & Equipment	(5,163,086)	(856,468)	4,365	(6,015,189)
Vehicles	(1,883,124)	(305,623)	34,560	(2,154,187)
Infrastructure	<u>(6,964,644)</u>	<u>(1,158,110)</u>	<u>-</u>	<u>(8,122,754)</u>
Totals Accumulated				
Depreciation	<u>(17,269,812)</u>	<u>(2,664,334)</u>	<u>38,925</u>	<u>(19,895,221)</u>
Governmental Activities- Assets, Net	<u>\$62,619,017</u>	<u>\$(1,373,792)</u>	<u>\$ -</u>	<u>\$61,245,225</u>

** - Capital Assets were restated in the governmental activities due to inclusion of infrastructure and as a result of a capital asset inventory taken.

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 -- CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>12/31/02**</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/03</u>
Business-Type Activities:				
Water Pollution Control Capital Assets:				
Land	\$ 201,000	\$ -	\$ -	\$ 201,000
Land Improvements	191,917	-	-	191,917
Buildings and Improvements	4,593,177	-	-	4,593,177
Equipment and Machinery	3,417,086	24,888	-	3,441,974
Vehicles	333,701	-	-	333,701
Infrastructure	<u>12,616,906</u>	<u>229,224</u>	<u>-</u>	<u>12,846,130</u>
Total Capital Assets	21,353,787	254,112	-	21,607,899
Less Accumulated Depreciation:				
Land Improvements	-	(1,576)	-	(1,576)
Buildings and Improvements	(3,697,878)	(195,952)	-	(3,893,830)
Equipment and Machinery	(2,973,267)	(64,352)	-	(3,037,619)
Vehicles	(285,972)	(36,608)	-	(322,580)
Infrastructure	<u>(2,269,458)</u>	<u>(183,089)</u>	<u>-</u>	<u>(2,452,547)</u>
Total Accum. Depreciation	<u>(9,226,575)</u>	<u>(481,577)</u>	<u>-</u>	<u>(9,708,152)</u>
Water Pollution Control Capital Assets, Net	<u>\$12,127,212</u>	<u>\$227,465</u>	<u>\$ -</u>	<u>\$11,899,747</u>
Logan Acres County Home Capital Assets:				
Land	\$ 4,526	\$ -	\$ -	\$ 4,526
Buildings	1,106,997	-	-	1,106,997
Equipment and Machinery	431,780	53,380	-	485,160
Vehicles	37,825	-	-	37,825
Construction In Progress	<u>-</u>	<u>284,217</u>	<u>-</u>	<u>284,217</u>
Total Capital Assets	1,581,128	337,597	-	1,918,725
Less Accumulated Depreciation:				
Buildings	(862,499)	(15,865)	-	(878,364)
Equipment and Machinery	(243,557)	(35,480)	-	(279,037)
Vehicles	<u>(33,496)</u>	<u>(2,605)</u>	<u>-</u>	<u>(36,101)</u>
Total Accum. Depreciation	<u>(1,139,552)</u>	<u>(53,950)</u>	<u>-</u>	<u>(1,193,502)</u>
Water Pollution Control Capital Assets, Net	<u>\$441,576</u>	<u>\$283,647</u>	<u>\$ -</u>	<u>\$725,223</u>
Hazmat Capital Assets:				
Equipment and Machinery	<u>25,283</u>	<u>3,153</u>	<u>-</u>	<u>28,436</u>
Total Capital Assets	25,283	3,154	-	28,437
Less Accumulated Depreciation:				
Equipment and Machinery	<u>(8,235)</u>	<u>(2,528)</u>	<u>-</u>	<u>(10,763)</u>
Total Accum. Depreciation	<u>(8,235)</u>	<u>(2,528)</u>	<u>-</u>	<u>(10,763)</u>
Hazmat Capital Assets, Net	<u>\$17,048</u>	<u>\$625</u>	<u>\$ -</u>	<u>\$17,673</u>
Business Activities				
Capital Assets, Net	<u>\$12,585,836</u>	<u>\$56,807</u>	<u>\$ -</u>	<u>\$12,642,643</u>

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
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NOTE 10 -- CAPITAL ASSETS (Continued)

*Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	\$222,331
Judicial	88,440
Public Works	1,542,418
Public Safety	340,801
Human Services	465,852
Health	<u>4,492</u>
 Total Depreciation Expense	 <u>\$ 2,664,334</u>

NOTE 11 -- COMPENSATED ABSENCES

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the Government Wide Basic Financial Statements. Upon termination of County service, a fully vested employee is entitled to 25% of their accumulated sick leave not to exceed 30 days, plus all accumulated vacation and overtime. At December 31, 2003 vested vacation and sick leave benefits for governmental activity type and business type activity employees totaled \$1,126,269 and \$221,996, respectively.

NOTE 12 - CAPITALIZED LEASES

The County has entered into a capitalized lease for the acquisition of vehicles. The terms of the agreement provide options to purchase the vehicles. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the Basic Financial Statements for the General Fund.

The lease was recorded as an asset in the Capital Assets and a liability in the Government Wide Financial Statements. The capital lease required the County to record the corresponding revenue and expenditure for the lesser of the fair market value or minimum lease payment at lease inception in the General Fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2003:

<u>Year Ending December 31,</u>	<u>Capital Lease</u>
2004	\$38,219
2005	<u>38,219</u>
Minimum Lease Payments	\$76,438
 Less amount representing interest at the Financial Condition's incremental borrowing rate of interest	 <u>(6,367)</u>
 Present value of minimum lease payments	 <u>\$ 70,071</u>

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
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NOTE 13 -- DEBT OBLIGATIONS

	Principal Outstanding <u>12/31/02</u>	<u>Additions</u>	<u>Retirements</u>	Principal Balance <u>12/31/03</u>	Amounts Due in <u>One Year</u>
<u>Governmental Activities:</u>					
Various Purpose Bonds, Series 2 Issued 11/1/02, 1.7% to 4.75%	\$8,635,000	\$ -	\$340,000	\$8,295,000	\$370,000
Capital Lease Payable	102,161	-	32,090	70,071	34,015
Compensated Absences Payable	<u>1,107,796</u>	<u>18,473</u>	-	<u>1,126,269</u>	<u>1,084,991</u>
Total Long Term Debt - Governmental Type Activities	<u>\$9,844,957</u>	<u>\$18,473</u>	<u>\$372,090</u>	<u>\$9,491,340</u>	<u>\$1,489,006</u>
	Principal Outstanding <u>12/31/02</u>	<u>Additions</u>	<u>Retirements</u>	Principal Balance <u>12/31/03</u>	Amounts Due in <u>One Year</u>
<u>Business-Type Activities:</u>					
Sewer System Refunding Bonds Issued 11/13, 2002, 1.7% to 3%	\$2,380,000	\$ -	\$380,000	\$2,000,000	\$390,000
Sewer Special Assessment Bonds Issued 6/1/1986, 7.75%	620,000	-	155,000	465,000	155,000
O.W.D.A. Loan Issued 7/23/1992 5.2%	1,358,916	-	100,208	1,258,708	105,488
Capital Facilities Note Issued 3/5/03, 1.52%	-	1,200,000	-	1,200,000	1,200,000
Compensated Absences Payable	<u>216,143</u>	<u>5,853</u>	-	<u>221,996</u>	<u>172,876</u>
Total Business-Type Debt	<u>\$4,575,059</u>	<u>\$1,205,853</u>	<u>\$635,208</u>	<u>\$5,145,704</u>	<u>\$2,023,364</u>

Note that only \$263,398 of the Capital Facilities Note proceeds was spent as of 12/31/03.

In November 2002, the County issued \$11,015,000 of Various Purpose Bonds, Series 2002 and \$1,865,000 of its own funds to advance refund various Bonds and to currently refund the Sewer Bonds; Jail Construction and Capital Facility Notes; and Sanitary Improvement notes..

**LOGAN COUNTY FINANCIAL CONDITION
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NOTE 13 -- DEBT OBLIGATIONS (Continued)

The following is a summary of the County's future annual debt service requirements for long term debt:

	Various Purpose Bonds Governmental Purposes	Special Revenue Assessment Bonds Proprietary Enterprise Purposes	Bonds Supported By Enterprise Revenues	OWDA Loan Supported By Facilities Revenues	Capital Note	Totals
2004	\$ 707,790	\$191,038	\$456,792	\$169,586	\$1,218,139	\$2,743,345
2005	715,390	179,025	448,992	169,586	-	1,512,993
2006	709,803	167,012	453,267	169,586	-	1,499,668
2007	708,103	-	71,118	169,586	-	948,807
2008	710,503	-	75,015	169,586	-	955,104
2009-13	3,543,175	-	368,775	763,139	-	4,675,089
2014-18	2,886,965	-	369,602	-	-	3,256,567
2019-22	<u>2,175,836</u>	<u>-</u>	<u>291,588</u>	<u>-</u>	<u>-</u>	<u>2,467,424</u>
Total	12,157,565	537,075	2,535,149	1,611,069	1,218,139	18,058,997
Less Amount Representing						
Interest	<u>(3,862,565)</u>	<u>(72,075)</u>	<u>(535,149)</u>	<u>(352,362)</u>	<u>(18,139)</u>	<u>(4,840,290)</u>
Principal	<u>\$8,295,000</u> <u>\$ 465,000</u>	<u>\$2,000,000</u>	<u>\$1,258,707</u>	<u>\$ 1,200,000</u>	<u>\$ 13,218,707</u>	

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County.

The code further provides that the total voted and unvoted net debt of the County less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000, of the assessed valuation, plus one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 14 -- SEGMENT INFORMATION FOR BUSINESS TYPE ACTIVITY FUNDS

The County maintains four Business Type Activity Enterprise Funds. One fund is used to account for the operations of the County's water pollution control system, one is used to account for the operations of the County Home, one is used to account for hazardous material treatment and one to account for township charges for police services. Segment information for the year ended December 31, 2003 is as follows:

	<u>Water Pollution Control Fund</u>	<u>Logan Acres County Home Fund</u>	<u>Hazmat Team Fund</u>	<u>Sheriff Policing Fund</u>	<u>Total</u>
Operating Revenue	\$2,757,240	\$4,690,918	\$1,680	\$72,710	\$7,522,548
Operating Expenses before Depreciation	\$1,319,444	\$4,518,712	\$6,620	\$64,562	\$5,909,338
Depreciation Expense	\$481,577	\$53,950	\$2,528	\$ -	\$538,055
Operating Income (Loss)	\$956,219	\$118,256	\$(7,468)	\$8,148	\$1,075,155
Net Income (Loss) before Transfers & Contributions	\$778,439	\$103,298	\$(7,468)	\$ 8,148	\$882,417
Capital Contributions	\$49,352	\$182,670	\$0	\$0	\$232,022
Operating Transfers In	\$554,156	\$-	\$3,000	\$-	\$557,156
Operating Transfers Out	\$(543,799)	\$(1,093,635)	\$-	\$-	\$(1,637,434)
Net Income (Loss)	\$838,148	\$(807,667)	\$(4,468)	\$8,148	\$34,161
Net Working Capital	\$1,956,701	\$(766,849)	\$4,434	\$36,225	\$1,230,511
Capital Asset Additions	\$254,112	\$337,597	\$3,153	\$-	\$594,862
Capital Assets (Net of Accumulated Depreciation)	\$11,899,747	\$725,223	\$17,673	\$-	\$12,642,643
Debt :					
Due More than One Year	\$3,122,340	\$-	\$-	\$-	\$3,122,340
Due Within One Year	\$823,364	\$1,200,000	\$-	\$-	\$2,023,364
Total Assets	\$14,670,041	\$1,726,424	\$22,107	\$42,464	\$16,461,036
Total Net Assets	\$10,783,228	\$(41,626)	\$22,107	\$36,225	\$10,799,934

LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 15 -- DEFINED BENEFIT PENSION PLANS

The employees of the County of Logan are covered by either the Ohio Public Employees Retirement System or the Ohio Police and Fireman's Disability and Pension Fund. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

Ohio Public Employees Retirement System (OPERS) - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan (TP) is a cost-sharing multiple-employer defined benefit pension plan. The Member-Directed Plan (MD) is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The Combined Plan (CO) is a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan. OPERS provides retirement and disability, survivor and death benefits and annual cost of living adjustments to the Traditional Plan and Combined Plans. Members of the Member-Director Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

OPERS issues a stand alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2003 was 8.5 % for employees other than law enforcement. Law enforcement employees, which consists generally of sheriffs, deputy sheriffs and township police contributed 10.1% of covered salary. The 2003 employer contribution rate was 13.55% of covered payroll; The law enforcement employer rate was 16.7% of covered payroll. The County's contributions for pension obligations to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$2,533,185, \$2,390,462 and \$2,143,139; respectively; 91.9% representing the paid contribution for 2003 and 100% for 2002 and 2001. \$204,822 representing the unpaid contribution for 2003, is recorded as an expenditure to the individual funds that incurred the costs.

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Certified teachers employed by the school for the Mentally Retarded/ Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public retirement system. 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 part, by the state or any political subdivision thereof.

Plan Options Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered 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 the DC Plan and the DB. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from 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 on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 15 -- DEFINED BENEFIT PENSION PLANS (Continued)

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse 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, whichever 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.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependent. 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.

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 15 -- DEFINED BENEFIT PENSION PLANS (Continued)

A Defined Benefit or Combined Plan member with five or more years' credited service who become disabled may qualify for a disability benefit. Eligible spouses and dependents of these active 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 were required to contribute 9.3 percent of their annual covered salary through June 30, 2003 and effective July 1, 2003 the member contribution rate increased to 10% and the County is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions for pension obligations to STRS for the years ended December 31, 2003, 2002, and 2001 were \$117,088, \$123,575, and \$98,211, respectively; 96.4% has been contributed for 2003 and 100% for the years 2002 and 2001. \$4,286 representing the unpaid contribution for 2003, is recorded as a liability within the respective funds.

STRS Ohio issues a publicly available financial report. Additional information or copies of STRS Ohio's 2003 *Comprehensive Annual Financial Report* may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by visiting the STRS Ohio Web site www.strsoh.org.

NOTE 16 -- POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Ohio Public Employees Retirement System Ohio Public Employees Retirement System administers three separate pension plans: The Traditional Pension Plan (TP) is a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) is a defined contribution plan; and the Combined Plan (CO) is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio Service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2002 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 16 -- POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

OPEBs are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The County's contribution to fund postemployment benefits was \$934,755.

\$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS covered-position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggest, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 to 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

State Teachers Retirement System - The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated employees and their dependents through the Ohio Public Employees Retirement System (OPERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare B premiums. Pursuant to the Revised Code (R. C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefits recipients pay a portion of the health care costs in the form of a monthly premium

The R.C. grants authority to STRS Ohio 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 coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. Through June 30, 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For The County, this amount equaled \$37,635 for the ended December 31, 2003.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2003 (the latest information available). For fiscal year June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 17 - DEFERRED COMPENSATION PLAN

Logan County employees and elected officials participate in a state-wide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 18 - COMPONENT UNIT'S CONDENSED FINANCIAL STATEMENTS

	<u>Ross Training Center</u>
Revenues	\$ 541,131
Expenditures	<u>(515,685)</u>
Excess (deficiency) of revenue over (under) expenditures	25,446
Unrealized Gain on Investment	<u>72,899</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>\$ 98,345</u>

NOTE 19 - RELATED PARTY TRANSACTIONS

RTC Industries, Inc. RTC Industries Inc., a discretely presented component unit of Logan County, received contributions from the County for facilities, certain equipment, transportation and salaries for administration, implementation, and supervision of its programs. These contributions are reflected as operating revenues and expenses at cost or fair market value as applicable, in the financial statements of the corporation. In 2003, these contributions were \$87,413.

NOTE 20 -- CONTINGENT LIABILITIES

Federal and State Grants

The County participates in several federally assisted programs. These programs are subject to financial and compliance audits by grantor agencies or their representative. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

Logan County Financial Condition
Logan County

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U. S. Department of Agriculture				
<i>Passed through the Ohio Department of Education</i>				
Nutrition Cluster:				
School Breakfast Program (Fund 001-800)	05PU 2003	10.553	\$7,654	\$7,654
National School Lunch Program (Fund 001-800)	LLP1 2003	10.555	16,362	16,362
Total Nutrition Cluster			24,016	24,016
Total U. S. Department of Agriculture			24,016	24,016
U. S. Department of Housing & Urban Development				
<i>Passed through the Ohio Department of Development</i>				
Community Development Block Grants		14.228		
2000 Formula Grant (Fund 284)	G10416 H583 FB01		\$0	\$150
2001 CHIP Grant (Fund 285)	G20535 G016 CB11		140,177	168,091
2003 CHIP Grant (Fund 269)	G40409 K547 CB31		11,000	10,167
2001 Formula Grant (Fund 286)	G20503 J314 FB11		43,322	59,898
2002 Formula Grant (Fund 270)	G30400 J850 FB21		9,100	9,100
2000 Microenterprise Grant (Fund 287)	G10940 H583 MB01		10,000	15,000
2001 Microenterprise Grant (Fund 297)	G21038 J314 MB11		37,500	34,500
2002 Microenterprise Grant (Fund 279)	G30854 H095 MB21		27,000	0
Total Community Development Block Grant			278,099	296,906
Home Investment Partnership Program	(1)	14.239	120,000	80,217
Total U. S. Department of Housing & Urban Development			398,099	377,123
U. S. Department of Labor				
<i>Passed through the Ohio Department of Job & Family Services</i>				
Workforce Investment Act Cluster:				
Workforce Investment Act - Adult Program	(1)	17.258	58,323	58,323
Workforce Investment Act - Youth Allocation	(1)	17.259	39,186	39,183
Workforce Investment Act - Dislocated Workers	(1)	17.260	50,025	50,025
Total Workforce Investment Act Cluster			147,534	147,531
Total U. S. Department of Labor			147,534	147,531
U. S. Department of Justice				
<i>Passed through the Ohio Department of Public Safety</i>				
Terrorism Grant	(1)	16.007	49,973	49,973
<i>Passed through the Ohio Attorney General's Office</i>				
Crime Victim Assistance	(1)	16.575	47,926	57,910
Total U. S. Department of Justice			97,899	107,883
U. S. Department of Transportation				
<i>Passed through the Ohio Department of Transportation</i>				
Highway Planning and Construction (Federal-Aid Highway Program)	(1)	20.205	28,829	28,829
General Services Administration				
<i>Passed through the Ohio Secretary of State</i>				
Election Reform Payments	(1)	39.011	7,175	0

Logan County Financial Condition
Logan County

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2003
(Continued)

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
Federal Emergency Management Agency				
<i>Passed through the Ohio Department of Public Safety</i>				
Emergency Management Performance Grant	(1)	83.552	28,829	28,829
Pre-Disaster Mitigation Grant	(1)	83.557	1,171	1,171
FEMA Supplemental	(1)	83.562	17,300	17,300
FEMA Supplemental Citizen Corps Grant	(1)	83.564	2,000	720
Total Federal Emergency Management Agency			49,300	48,020
U.S. Department of Education				
<i>Passed through the Ohio Department of Education</i>				
Special Education Cluster:				
Special Education - Grants to States (Fund 17)	6BSF-2003-P	84.027	55,261	55,261
Special Education - Preschool Grants (Fund 17)	PGS1-2002-P	84.173	37,731	37,731
Total Special Education Cluster			92,992	92,992
Total U. S. Department of Education			92,992	92,992
U.S. Department of Health & Human Services				
<i>Passed through the State Department of MRDD</i>				
Social Services Block Grant - Title XX (Fund 17)	(1)	93.667	54,796	54,796
Medical Assistance Program - CAFS (Fund 17)	(1)	93.778	479,459	479,459
Total U. S. Department of Health & Human Services			534,255	534,255
Total Federal Financial Assistance			<u>\$1,380,099</u>	<u>\$1,360,649</u>

(1) - Passthrough entity number not available.

See accompanying notes to schedule of federal awards expenditures

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - - MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditures of non-Federal matching funds is not included on the Schedule.

BALESTRA, HARR & SCHERER

CERTIFIED PUBLIC ACCOUNTANTS

528 S. WEST STREET P.O. BOX 687

PIKETON, OHIO 45661

TELEPHONE: (740) 289-4131 FACSIMILE: (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Offices, Boards and
Commissioners of Logan County
100 South Madriver Street
Bellefontaine, Ohio 43311

We have audited the financial statements of Logan County, Ohio, (the County) as of and for the year ended December 31, 2003, and have issued our report thereon dated June 28, 2004, in which we indicated the County implemented GASB Statements No. 34, 37, 38, and Interpretation 6. 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 Logan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing and opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of non-compliance that we have reported to the management of the County in a separate letter dated June 28, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Logan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the County in a separate letter dated June 28, 2004.

Board of County Commissioners

Logan County

Bellefontaine, Ohio 43311

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*.

Page 2

This report is intended solely for the information and use of the audit committee, management, County Commissioners 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.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

June 28, 2004

BALESTRA, HARR & SCHERER

CERTIFIED PUBLIC ACCOUNTANTS

528 S. WEST STREET P.O. BOX 687

PIKETON, OHIO 45661

TELEPHONE: (740) 289-4131 FACSIMILE: (740) 289-3639

www.bhscpas.com

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Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Offices, Boards and
Commissioners of Logan County
100 South Madriver Street
Bellefontaine, Ohio 43311

Compliance

We have audited the compliance of Logan 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 December 31, 2003. Logan County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Logan County's management. Our responsibility is to express an opinion on Logan County'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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Logan County'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 Logan County's compliance with those requirements.

As described as items 2003-001, 2003-002 and 2003-003 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with the requirements regarding Cash Management, Davis Bacon, and Matching that are applicable to its Community Development Block Grant. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Logan County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of Logan County 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 Logan County'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.

Board of County Commissioners

Logan County

Bellefontaine, Ohio 43311

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A - 133

Page 2

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. However, we noted other matters involving the internal control over compliance and its operation, which we have reported to management of Logan County in a separate letter dated June 28, 2004.

This report is intended solely for the information and use of the audit committee, management, County Commissioners, 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.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

June 28, 2004

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

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs ' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under section .510?	Yes
(d)(1)(vii)	Major Programs (list):	Medical Assistance Program (CAFS), CFDA #93.778; Community Development Block Grants, CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
DECEMBER 31, 2003**

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

Finding Number	None
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3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2003-001
CFDA Title and Number	Community Development Block Grant CFDA #14.228
Federal Award Number/Year	2003
Federal Agency	U.S. Department of Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Citation

The *OHCP Financial Management Handbook, Section 3(f)*, states "The grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule relating the prompt disbursement of funds". This rule states that funds drawn down should be limited to a balance of less than \$5,000.

During the audit, it was noted that in several instances, the funds were not expended below the \$5,000 threshold within 15 days.

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	The County is currently working toward establishing a cash management system to comply with the 15 day rule.	December 31, 2004	Community Development Coordinator

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

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
DECEMBER 31, 2003**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2003-002
CFDA Title and Number	Community Development Block Grant CFDA #14.228
Federal Award Number/Year	2002
Federal Agency	U.S. Department of Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Citation

The *OHCP Financial Management Handbook, Section 12.30*, specifies access to records and records retention requirements under special provisions within consultant contracts. A review of the consultant contract revealed under Article XIX, Access to Books, that the County, the U.S. Department of Housing and Urban Development, the Comptroller General of the United States, or any of their duly authorized representatives, will have access to any books, documents, papers and records of the Consultant that are directly pertinent to a specific grant program for making audit, examination, excerpts, and transcriptions.

The County utilizes a consultant to implement its Formula grant. The County's Formula grant consultant could not provide for review any of the required certified payrolls for any of the four construction projects awarded during 2002 to demonstrate compliance with the Davis Bacon requirements.

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-002	The County is currently working toward obtaining the required certified payrolls to comply with the Davis Bacon Act.	December 31, 2004	Community Development Coordinator

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

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
DECEMBER 31, 2003**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2003-003
CFDA Title and Number	Community Development Block Grant CFDA #14.228
Federal Award Number/Year	2003
Federal Agency	U.S. Department of Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Citation

The 2000 and 2001 Microenterprise grant agreements specified a \$17,500 revolving loan match for each grant. Per review of the final expenditure reports for both grants, the local matches were not met.

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-003	The County will implement internal controls to ensure that future matching requirements are met. In addition the department will be in contact with the Ohio Department of Development to determine the necessary actions to resolve this matter.	December 31, 2004	Community Development Coordinator

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**LOGAN COUNTY FINANCIAL CONDITION
LOGAN COUNTY
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	CDBG 15 day rule.	No	Not corrected, see current year finding 2003-001.
2002-002	CDBG records retention	No	Not corrected. See current year finding 2003-002.
2002-003	Workforce Investment Act Individual Training Accounts	Yes	Corrected.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

LOGAN COUNTY FINANCIAL CONDITION

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 7, 2004**