



Dave Yost • Auditor of State

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Logan Elm Local School District
Pickaway County
9579 Tarlton Road
Circleville, Ohio 43113-9448

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Logan Elm Local School District, Pickaway County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.


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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Logan Elm Local School District, Pickaway County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information 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. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 2, 2011

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of the Logan Elm Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets of governmental activities decreased \$721,830 which represents a 6.02% decrease from 2009.
- General revenues accounted for \$17,919,468 in revenue or 81.81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,985,360 or 18.19% of total revenues of \$21,904,828.
- The District had \$22,626,658 in expenses related to governmental activities; only \$3,985,360 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$17,919,468 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$18,352,895 in revenues, \$18,827,259 in expenditures, and \$2,013,909 in other financing sources. During fiscal year 2010, the general fund's fund balance increased \$1,539,545 from \$6,397,574 to \$7,937,119.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

On the statement of net assets and in the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported on the statement of net assets and in the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

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

Reporting the District's Fiduciary Responsibilities

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-52 of this report.

The District as a Whole

The table below provides a summary of the District's net assets for 2010 and 2009.

	Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
<u>Assets</u>		
Current and other assets	\$ 17,217,200	\$ 17,219,699
Capital assets	<u>3,975,872</u>	<u>4,062,527</u>
Total assets	<u>21,193,072</u>	<u>21,282,226</u>
<u>Liabilities</u>		
Current liabilities	8,616,427	8,057,653
Long-term liabilities	<u>1,309,093</u>	<u>1,235,191</u>
Total liabilities	<u>9,925,520</u>	<u>9,292,844</u>
<u>Net assets</u>		
Invested in capital assets	3,975,872	4,062,527
Restricted	550,797	489,635
Unrestricted	<u>6,740,883</u>	<u>7,437,220</u>
Total net assets	<u>\$ 11,267,552</u>	<u>\$ 11,989,382</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$11,267,552. Of this total, \$6,740,883 is unrestricted in use.

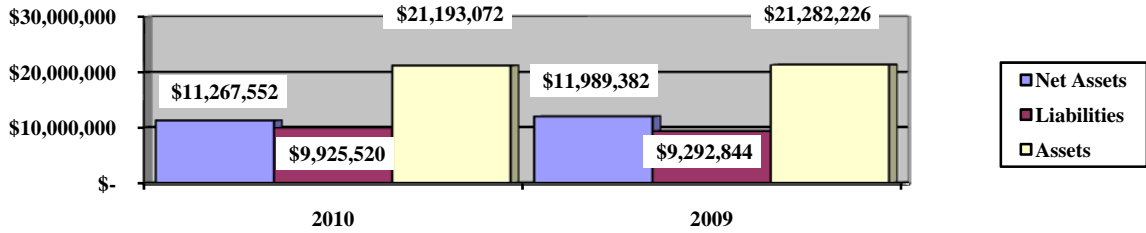
At year-end, capital assets represented 18.76% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets at June 30, 2010, were \$3,975,872. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets at June 30, 2010, \$550,797, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$6,740,883.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Governmental Activities



The table below shows the change in net assets for fiscal year 2010 and 2009.

Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,403,396	\$ 1,368,607
Operating grants and contributions	2,581,964	2,115,437
General revenues:		
Property taxes	5,652,083	7,253,768
Income taxes	2,340,302	2,601,080
Grants and entitlements	9,867,970	8,941,855
Investment earnings	23,283	134,636
Other	35,830	6,764
Total revenues	\$ 21,904,828	\$ 22,422,147

-continued

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Change in Net Assets (Continued)

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 10,246,708	\$ 9,307,200
Special	2,324,753	1,945,186
Vocational	14,898	19,472
Other	304,959	126,069
Support services:		
Pupil	943,806	886,534
Instructional staff	1,329,171	1,088,939
Board of education	105,970	108,077
Administration	1,477,208	1,399,728
Fiscal	501,202	490,700
Business	3,776	360
Operations and maintenance	1,976,746	2,022,363
Pupil transportation	1,676,696	1,538,001
Central	250,777	244,904
Food service operations	938,776	819,363
Extracurricular activities	<u>531,212</u>	<u>429,033</u>
 Total expenses	 <u>22,626,658</u>	 <u>20,425,929</u>
 Change in net assets	 (721,830)	 1,996,218
 Net assets at beginning of year	 <u>11,989,382</u>	 <u>9,993,164</u>
 Net assets at end of year	 <u>\$ 11,267,552</u>	 <u>\$ 11,989,382</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$721,830. Total governmental expenses of \$22,626,658 were offset by program revenues of \$3,985,360 and general revenues of \$17,919,468. Program revenues supported 17.61% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property and income taxes, and unrestricted grants and entitlements. These revenue sources represent 81.54% of total governmental revenue. The largest expense of the District is for instructional programs. Instruction expenses totaled \$12,891,318 or 56.46% of total governmental expenses for fiscal year 2010.

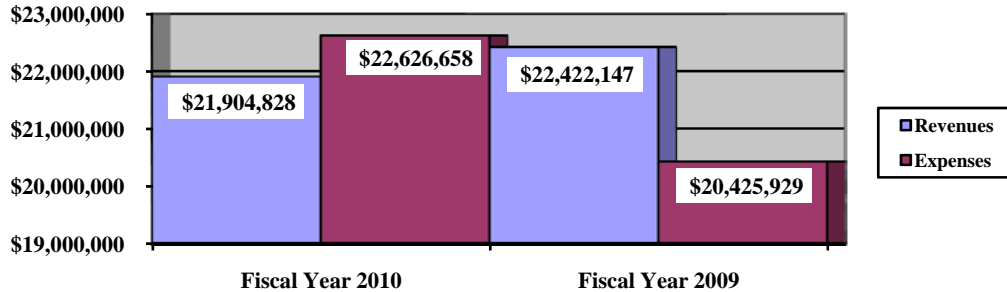
Given the current economy, it's no surprise to see revenue stagnant or declining while expenses continue to grow. Comparing 2010 to 2009 above, revenue decreased 2.3% while expenses increased 10.77% causing a downturn in change in net assets of \$2,718,048. However, this is a somewhat exaggerated result for two reasons: 1) the amount of property tax receivable available for advance according to the County Auditor and reported as revenue decreased \$755,340, and 2) the District was required to make a one-time payment of \$947,024 to establish reserves in its new health insurance consortium. These unusual items account for over half the downturn in change in net assets.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2010 and 2009.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program expenses				
Instruction:				
Regular	\$ 10,246,708	\$ 8,839,364	\$ 9,307,200	\$ 8,501,386
Special	2,324,753	1,568,387	1,945,186	879,697
Vocational	14,898	14,898	19,472	13,451
Other	304,959	114,499	126,069	55,312
Support services:				
Pupil	943,806	872,462	886,534	840,200
Instructional staff	1,329,171	1,036,157	1,088,939	888,283
Board of education	105,970	105,970	108,077	108,077
Administration	1,477,208	1,450,105	1,399,728	1,355,080
Fiscal	501,202	501,202	490,700	490,700
Business	3,776	3,776	360	360
Operations and maintenance	1,976,746	2,181,770	2,022,363	2,017,891
Pupil transportation	1,676,696	1,667,625	1,538,001	1,501,582
Central	250,777	230,888	244,904	213,126
Food service operations	938,776	(2,778)	819,363	(56,666)
Extracurricular activities	531,212	262,385	429,033	133,406
Total expenses	\$ 22,626,658	\$ 18,846,710	\$ 20,425,929	\$ 16,941,885

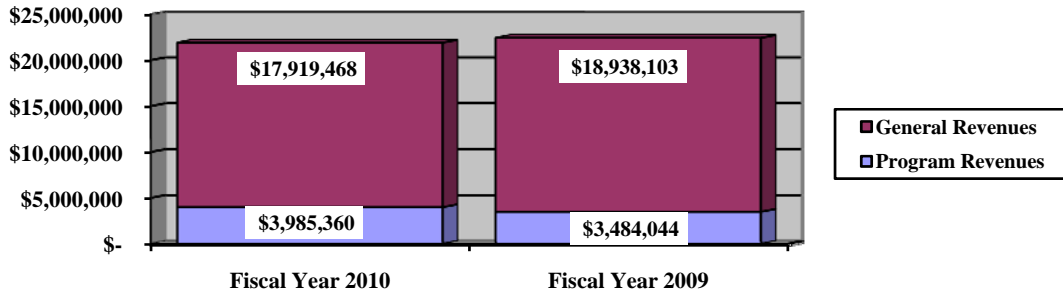
The dependence upon tax and other general revenues for governmental activities is apparent; 81.74% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.54%. The District's taxpayers and unrestricted grants and entitlements, as a whole, are by far the primary support for District's students.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on page 15) reported a combined fund balance of \$6,630,246, which is lower than last year's total of \$6,679,948. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase (Decrease)
General	\$ 6,588,927	\$ 6,397,574	\$ 191,353
Other governmental	41,319	282,374	(241,055)
Total	\$ 6,630,246	\$ 6,679,948	\$ (49,702)

General Fund

The District's general fund balance increased \$1,539,545 during fiscal year 2010. While this is a positive net result, the primary reason for the increase is a result of the \$2,013,909 residual transfer in from the internal service fund, as the District was no longer self-insured for health care benefits during fiscal year 2010 (see Note 5.B for detail). The following table summarizes changes in general fund financial activity in 2010 and 2009. The decrease in expenditures of 1.20% was outpaced by the decrease in revenue of 7.31%. Inflation between 3 and 6% year to year and increases in wages and benefits are expected.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 7,808,240	\$ 9,639,691	\$ (1,831,451)	(19.00) %
Tuition	592,737	492,370	100,367	20.38 %
Earnings on investments	23,283	134,636	(111,353)	(82.71) %
Intergovernmental	9,803,491	9,424,751	378,740	4.02 %
Other revenues	<u>125,144</u>	<u>108,985</u>	<u>16,159</u>	14.83 %
Total	<u>\$ 18,352,895</u>	<u>\$ 19,800,433</u>	<u>\$ (1,447,538)</u>	(7.31) %
<u>Expenditures</u>				
Instruction	\$ 11,034,154	\$ 11,045,293	(11,139)	(0.10) %
Support services	7,514,401	7,744,236	(229,835)	(2.97) %
Extracurricular activities	<u>278,704</u>	<u>265,597</u>	<u>13,107</u>	4.93 %
Total	<u>\$ 18,827,259</u>	<u>\$ 19,055,126</u>	<u>\$ (227,867)</u>	(1.20) %

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, the District amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$19,200,000 and \$20,722,159 respectively. Actual revenues and other financing sources for the fiscal year were \$21,474,057.

General fund original appropriations (expenditures plus other financing uses) of \$19,044,533 were increased to \$19,406,500 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$19,289,058, which were \$117,442 lower than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$3,975,872 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. See Note 8 to the basic financial statements for detail.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The following table shows fiscal year 2010 balances compared to 2009 balances as detailed in Note 8:

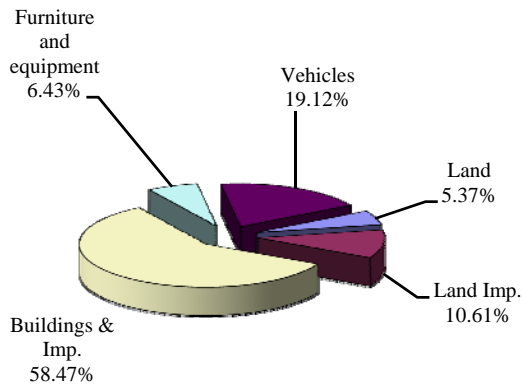
**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2010	2009
Land	\$ 213,048	\$ 8,024
Land improvements	421,851	465,517
Building and improvements	2,324,902	2,383,660
Furniture and equipment	255,673	304,269
Vehicles	760,398	901,057
Total	\$ 3,975,872	\$ 4,062,527

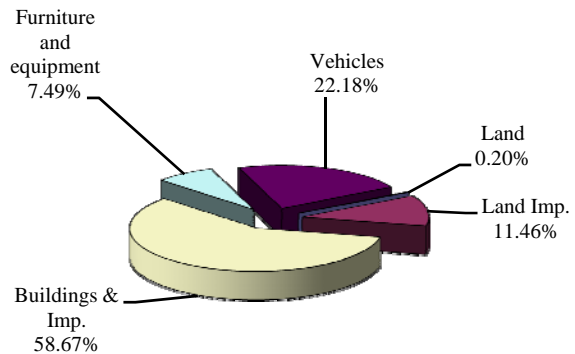
The overall decrease in capital assets of \$86,655 is due to depreciation expense of \$328,115 and disposals of \$3,361 (net of accumulated depreciation) exceeding capital outlays of \$245,481 during fiscal year 2010.

The graphs below present the District's capital assets for fiscal years 2010 and 2009.

**Capital Assets - Governmental Activities
2010**



**Capital Assets - Governmental Activities
2009**



Debt Administration

At June 30, 2010, the District had no debt obligations outstanding.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Current Financial Related Activities

As stated above, "over time, net assets can serve as a useful indicator of a government's financial position." The following table provides a historical summary of the changes in Governmental net assets since a 1% income tax went in to effect on January 1, 2006 to support District operations:

Fiscal Year	Change in Net Assets
2006	+ \$1,469,845
2007	+ \$2,237,386
2008	+ \$2,201,626
2009	+ \$1,996,218
2010	- \$723,170

As explained above on page 7, this year's result is somewhat skewed by two unusual items that reduced net assets a total of \$1,702,364. However, there is still an indication that finances are quickly getting tighter and the Board of Education has taken note.

From a revenue standpoint, the Board of Education's priority in 2010 has been to maintain in some form the expiring \$812,000 emergency levy and 1% income tax. The \$812,000 emergency levy was renewed on August 3, 2010 for five more years. Voters also approved replacement of the 1% income tax on November 2, 2010 with a 1% income tax on earned income only for five years. The change in the income tax base will reduce annual revenue approximately \$400,000, but the Board is satisfied with the overall result of maintaining most of these two revenue sources.

With the local tax levies taken care of, the Board's attention will now turn to the upcoming state budget to cover July 1, 2011 through June 30, 2013. There is a new governor-elect who has pledged to change how schools are funded. In addition, the State must address a projected shortfall of \$8 billion. Reduced funding to schools seems a likely possibility.

District finances are quickly changing and the reduction in the 1% income tax and potential reductions in State funding will certainly make things even more challenging for the Board of Education. They will be closely monitoring changes in funding and actively planning to maintain balanced budgets by reducing expenditures in ways that have the least impact on student learning.

Contacting the District's Financial Management

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 5,836,315
Investments	3,144,788
Receivables:	
Taxes	7,935,717
Accounts	3,206
Intergovernmental	273,416
Accrued interest	1,074
Materials and supplies inventory	22,684
Capital assets:	
Land	213,048
Depreciable capital assets, net	3,762,824
Total capital assets	<u>3,975,872</u>
 Total assets	 <u>21,193,072</u>
 Liabilities:	
Accounts payable.	142,842
Accrued wages and benefits	1,895,332
Pension obligation payable.	484,925
Intergovernmental payable	17,192
Unearned revenue.	6,060,995
Claims payable	15,141
Long-term liabilities:	
Due within one year.	89,190
Due in more than one year	1,219,903
 Total liabilities	 <u>9,925,520</u>
 Net Assets:	
Invested in capital assets	3,975,872
Restricted for:	
Perpetual care:	
Expendable	9,975
Nonexpendable	104,300
Locally funded programs	28,539
State funded programs	918
Federally funded programs	77,823
Student activities	126,100
Other purposes	203,142
Unrestricted.	<u>6,740,883</u>
 Total net assets	 <u>\$ 11,267,552</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 10,246,708	\$ 682,235	\$ 725,109	\$ (8,839,364)
Special	2,324,753	-	756,366	(1,568,387)
Vocational	14,898	-	-	(14,898)
Other	304,959	-	190,460	(114,499)
Support services:				
Pupil.	943,806	11,712	60,020	(872,074)
Instructional staff	1,329,171	8,615	284,399	(1,036,157)
Board of education	105,970	-	-	(105,970)
Administration.	1,477,208	-	27,103	(1,450,105)
Fiscal.	501,202	-	-	(501,202)
Business	3,776	-	-	(3,776)
Operations and maintenance	1,976,746	-	-	(1,976,746)
Pupil transportation.	1,676,696	-	9,071	(1,667,625)
Central	250,777	2,889	17,000	(230,888)
Food service operations	938,776	452,298	489,256	2,778
Extracurricular activities.	531,212	245,647	23,180	(262,385)
	\$ 22,626,658	\$ 1,403,396	\$ 2,581,964	(18,641,298)
Totals				
	\$ 22,626,658	\$ 1,403,396	\$ 2,581,964	(18,641,298)
General revenues:				
Property taxes levied for:				
				5,509,298
				142,785
				2,340,302
				9,867,970
				23,283
				35,830
				17,919,468
				(721,830)
				11,989,382
				\$ 11,267,552

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash			
and cash equivalents	\$ 5,257,789	\$ 362,763	\$ 5,620,552
Investments	3,040,488	104,300	3,144,788
Receivables:			
Taxes	7,736,468	199,249	7,935,717
Accounts	34	3,172	3,206
Intergovernmental	4,002	269,414	273,416
Accrued interest	1,074	-	1,074
Interfund loans	100,000	-	100,000
Materials and supplies inventory	-	22,684	22,684
Restricted assets:			
Equity in pooled cash			
and cash equivalents	170,623	-	170,623
Total assets	<u>\$ 16,310,478</u>	<u>\$ 961,582</u>	<u>\$ 17,272,060</u>
Liabilities:			
Accounts payable	\$ 92,555	\$ 50,287	\$ 142,842
Accrued wages and benefits	1,603,614	291,718	1,895,332
Interfund loans	-	100,000	100,000
Pension obligation payable	409,259	75,666	484,925
Intergovernmental payable.	14,680	2,512	17,192
Deferred revenue.	376,603	215,733	592,336
Unearned revenue.	5,876,648	184,347	6,060,995
Total liabilities.	<u>8,373,359</u>	<u>920,263</u>	<u>9,293,622</u>
Fund Balances:			
Reserved for encumbrances	38,576	29,321	67,897
Reserved for materials and supplies inventory	-	22,684	22,684
Reserved for future appropriation	659,241	16,718	675,959
Reserved for budget stabilization.	170,623	-	170,623
Reserved for library purposes.	-	104,300	104,300
Unreserved, undesignated, reported in:			
General fund.	7,068,679	-	7,068,679
Special revenue funds	-	(21,771)	(21,771)
Capital projects funds	-	(118,436)	(118,436)
Permanent fund	-	8,503	8,503
Total fund balances.	<u>7,937,119</u>	<u>41,319</u>	<u>7,978,438</u>
Total liabilities and fund balances	<u>\$ 16,310,478</u>	<u>\$ 961,582</u>	<u>\$ 17,272,060</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010**

Total governmental fund balances		\$ 7,978,438
<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.		3,975,872
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 386,222	
Grants	<u>206,114</u>	
Total		592,336
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		29,999
Long-term liabilities, such as compensated absences, are not due and payable in the current period and are therefore not reported in the funds.		<u>(1,309,093)</u>
Net assets of governmental activities		<u><u>\$ 11,267,552</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 7,808,240	\$ 141,917	\$ 7,950,157
Tuition.	592,737	-	592,737
Charges for services	-	452,201	452,201
Earnings on investments.	23,283	2,473	25,756
Extracurricular.	38,299	265,145	303,444
Classroom materials and fees	51,015	3,462	54,477
Other local revenues.	35,830	56,393	92,223
Intergovernmental - state	9,755,299	181,343	9,936,642
Intergovernmental - federal.	48,192	2,279,704	2,327,896
	<hr/>	<hr/>	<hr/>
Total revenues	18,352,895	3,382,638	21,735,533
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
Instruction:			
Regular	9,338,040	819,194	10,157,234
Special.	1,577,331	727,026	2,304,357
Vocational.	11,614	-	11,614
Other.	107,169	182,866	290,035
Support services:			
Pupil.	856,506	82,641	939,147
Instructional staff	1,027,292	271,334	1,298,626
Board of education	105,970	-	105,970
Administration.	1,417,397	25,577	1,442,974
Fiscal	497,305	3,441	500,746
Business	3,776	-	3,776
Operations and maintenance.	1,837,831	140,934	1,978,765
Pupil transportation	1,519,850	9,263	1,529,113
Central.	248,474	22,084	270,558
Food service operations	-	936,441	936,441
Extracurricular activities.	278,704	199,208	477,912
Facilities acquisition and construction	-	203,684	203,684
	<hr/>	<hr/>	<hr/>
Total expenditures	18,827,259	3,623,693	22,450,952
	<hr/>	<hr/>	<hr/>
Excess of expenditures over revenues.	(474,364)	(241,055)	(715,419)
	<hr/>	<hr/>	<hr/>
Other financing sources:			
Transfers in	2,013,909	-	2,013,909
Total other financing sources	2,013,909	-	2,013,909
	<hr/>	<hr/>	<hr/>
Net change in fund balances	1,539,545	(241,055)	1,298,490
	<hr/>	<hr/>	<hr/>
Fund balances, July 1	6,397,574	282,374	6,679,948
	<hr/>	<hr/>	<hr/>
Fund balances, June 30	\$ 7,937,119	\$ 41,319	\$ 7,978,438
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Net change in fund balances - total governmental funds **\$ 1,298,490**

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

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

Capital asset additions	\$	244,821	
Current year depreciation		<u>(328,115)</u>	
Total			(83,294)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (3,361)

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

Taxes		42,228	
Intergovernmental revenue		<u>127,067</u>	
Total			169,295

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (73,902)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (2,029,058)

Change in net assets of governmental activities **\$ (721,830)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 8,291,474	\$ 8,291,474	\$ 8,628,315	\$ 336,841
Tuition	569,597	569,597	592,737	23,140
Earnings on investments	35,790	35,790	37,244	1,454
Extracurricular	36,804	36,804	38,299	1,495
Classroom materials and fees	49,024	49,024	51,015	1,991
Other local revenue	40,414	40,414	42,056	1,642
Intergovernmental - state	9,866,211	9,374,461	9,755,299	380,838
Intergovernmental - federal	58,107	58,107	60,468	2,361
Total revenues	18,947,421	18,455,671	19,205,433	749,762
Expenditures:				
Current:				
Instruction:				
Regular	9,269,194	9,479,522	9,421,447	58,075
Special	1,554,204	1,590,761	1,581,023	9,738
Vocational	12,020	11,825	11,750	75
Other	94,875	93,337	92,743	594
Support services:				
Pupils	857,558	860,960	855,587	5,373
Instructional staff	994,529	1,022,838	1,016,607	6,231
Board of education	110,419	108,630	107,938	692
Administration	1,413,668	1,446,645	1,437,788	8,857
Fiscal	500,310	504,074	500,939	3,135
Business	3,863	3,800	3,776	24
Operations and maintenance	1,877,962	1,908,343	1,896,577	11,766
Pupil transportation	1,500,478	1,525,355	1,515,954	9,401
Central	267,914	267,530	265,851	1,679
Extracurricular activities	287,539	282,880	281,078	1,802
Total expenditures	18,744,533	19,106,500	18,989,058	117,442
Excess (deficiency) of revenues over (under) expenditures	202,888	(650,829)	216,375	867,204
Other financing sources (uses):				
Advances in	200,000	200,000	200,000	-
Advances (out)	(300,000)	(300,000)	(300,000)	-
Transfers in	-	2,013,909	2,013,909	-
Refund of prior year's expenditures	52,579	52,579	54,715	2,136
Total other financing sources (uses)	(47,421)	1,966,488	1,968,624	2,136
Net change in fund balance	155,467	1,315,659	2,184,999	869,340
Fund balance, July 1	6,154,281	6,154,281	6,154,281	-
Prior year encumbrances appropriated	64,512	64,512	64,512	-
Fund balance, June 30	\$ 6,374,260	\$ 7,534,452	\$ 8,403,792	\$ 869,340

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010**

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents	\$ 45,140
	45,140
Total assets	45,140
Liabilities:	
Claims payable.	15,141
	15,141
Total liabilities.	15,141
Net assets:	
Unrestricted	29,999
	29,999
Total net assets.	\$ 29,999

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 206,237
Grants-in-aid.	6,450
Total operating revenues	212,687
 Operating expenses:	
Employee benefits.	25,552
Purchased services.	11,878
Claims expense	190,406
Total operating expenses	227,836
 Operating loss before transfers	(15,149)
 Transfer out	(2,013,909)
 Change in net assets	(2,029,058)
 Net assets, July 1	2,059,057
 Net assets, June 30	\$ 29,999

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 206,237
Cash received from grants-in-aid.	6,450
Cash payments for employee benefits	(301,422)
Cash payments for purchased services	(11,878)
Cash payments for claims.	(202,154)
Net cash used in operating activities.	(302,767)
 Cash flows from noncapital financing activities:	
Transfers out	(2,013,909)
Net cash used in noncapital financing activities.	(2,013,909)
Net decrease in cash and cash equivalents.	(2,316,676)
Cash and cash equivalents, July 1	2,361,816
Cash and cash equivalents, June 30	\$ 45,140
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (15,149)
Changes in assets and liabilities:	
Decrease in claims payable.	(287,618)
Net cash used in operating activities	\$ (302,767)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 54,068	\$ 60,619
Cash and investments in segregated accounts .		3,980,054
Accounts receivable	-	844
Accrued interest receivable	-	1,446
Total assets	\$ 54,068	\$ 4,042,963
Liabilities:		
Accounts payable	-	\$ 800
Claims payable.	-	767,090
Due to other governments	-	3,214,410
Due to students	-	60,663
Total liabilities	-	\$ 4,042,963
Net Assets:		
Held in trust for scholarships	54,068	
Total net assets	\$ 54,068	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 139
Gifts and contributions.	14,295
	14,434
Deductions:	
Scholarships awarded	8,138
	6,296
Net assets, July 1	47,772
Net assets, June 30	\$ 54,068

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 226th largest by enrollment among the 905 public and community school districts in the State. The District employs 120 non-certified and 163 certified employees to provide services to approximately 2,285 students and community groups. The District provides regular and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services. The District co-operates with the Pickaway County Educational Service Center, a separate entity, for curricular services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

A. Reporting Entity (Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council (MEC)

MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The Governing Board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the Governing Board. MEC is its own fiscal agent. The District paid \$839 to MEC for services provided during fiscal year 2010.

South Central Ohio Computer Association (SCOCA)

The District is a participant in SCOCA which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Jackson, Vinton, Pickaway, Gallia, Ross, and Lawrence counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Governing Board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The District paid SCOCA \$121,933 for computer services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Central Ohio Special Education Regional Resource Center (COSERRC)

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

PUBLIC ENTITY RISK POOL

Pickaway County Public Employer Benefits Program (PCPEBP)

During fiscal year 2010, the District joined together with Circleville City School District, Teays Valley Local School District, and Westfall Local School District to form the PCPEBP, a new insurance consortium. The PCPEBP is a public entity shared risk pool organized to provide health care benefits to its member organizations. The Board of Directors exercises control over the operation of the PCPEBP. Each member school district is represented on the Board of Directors by their superintendent or superintendent's designee.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

A. Reporting Entity (Continued)

The District serves as fiscal agent for the PCPEBP. Financial assets and liabilities for fiscal year 2010 are reported in the basic financial statements as an agency fund. To obtain financial information, write Steve McAfee, Treasurer, Logan Elm Local School District, 9579 Tarlton Road, Circleville, Ohio 43113-9448.

INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The District participates in a workers' compensation group rating plan (GRP) conducted by a fourteen member committee consisting of various representatives that are elected by the general assembly. Each year the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 11.E. for further information on this GRP.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

The following is the District's major governmental fund:

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

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

B. Fund Accounting (Continued)

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

C. Basis of Presentation and Measurement Focus (Continued)

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

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

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

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

D. Basis of Accounting

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

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

D. Basis of Accounting (Continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2010 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

E. Budgets (Continued)

2. By no later than January 20, the Board-adopted budget is filed with the Pickaway County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final amended certificate issued for fiscal year 2010.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the one-digit object level within each two-digit function for the general fund and the fund level of expenditures for all other funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year).

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

5. Any revisions that alter the appropriations at the one-digit object level within each two-digit function for the general fund and the fund level of expenditures for all other funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The final budget figures, which appear in the statements of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.
8. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.
9. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled, except for certificates of deposit in the Hitler Fund to benefit the library, the scholarship private purpose fund, the PCPEBP fund, and the governmental securities specific to the general fund. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2010, investments consisted of federal agency securities, a U.S. Government money market fund, U.S. Treasury bills and notes, STAR Ohio and non-negotiable certificates of deposit. Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2010 amounted to \$23,283, which includes \$4,822 assigned from other District funds.

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

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of donated food and purchased food.

H. Capital Assets

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

H. Capital Assets (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District has a capitalization threshold of \$1,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	7 - 134 years
Furniture and equipment	5 - 20 years
Vehicles	10-15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental type activities columns of the statement of net assets.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

J. Compensated Absences (Continued)

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010 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.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. There were no fund liabilities for compensated absences at June 30, 2010.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

M. Restricted Assets

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

N. Estimates

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

O. Net Assets

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

The District applies restricted resources first when an expenses is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2010, the District had no assets restricted by enabling legislation.

P. Operating Revenues and Expenses

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

Q. Interfund Activity

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

A. Change in Accounting Principles (Continued)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor fund</u>	<u>Deficit</u>
Public school preschool	\$ 4,829
Title VI-B	44,042
Title I	16,149
Preschool grant for the handicapped	8,960
Improving teacher quality	8,619
Education stabilization	82,992

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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

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

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

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 4 - 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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash and Investments in Segregated Accounts

The cash and investments in segregated accounts relates to the PCPEBP. The balance is covered by federal depository insurance, by collateral held by the PCPEBP, or by collateral held by a qualified third-party trustee in the name of the PCPEBP. The amount held in segregated accounts at June 30, 2010 was \$3,980,054.

B. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$300,701. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$238,242 of the District's bank balance of \$541,496 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2010, the District had the following investments and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>
FFCB	\$ 300,182	\$ 300,182	\$ -	\$ -
FHLB	400,903	-	300,778	100,125
FHLMC	899,680	899,680	-	-
FNMA	474,750	474,750	-	-
U.S. Treasury bills	649,848	649,848	-	-
U.S. Treasury notes	301,125	-	-	301,125
STAR Ohio	5,607,939	5,607,939	-	-
U.S. Government money market Certificates of deposit	42,362 118,300	42,362 118,300	-	-
	<u>\$ 8,795,089</u>	<u>\$ 8,093,061</u>	<u>\$ 300,778</u>	<u>\$ 401,250</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's investment in U.S. Government money market funds carries a rating of AAA by Standard & Poor's. The District's investments in federal agency securities and U.S. Treasury bills and notes were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 300,182	3.41
FHLB	400,903	4.56
FHLMC	899,680	10.23
FNMA	474,750	5.40
U.S. Treasury bills	649,848	7.39
U.S. Treasury notes	301,125	3.42
STAR Ohio	5,607,939	63.76
U.S. Government money market	42,362	0.48
Certificates of deposit	<u>118,300</u>	<u>1.35</u>
Total	<u>\$ 8,795,089</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 300,701
Investments	8,795,089
Cash and investments in segregated accounts	<u>3,980,054</u>
Total	<u>\$ 13,075,844</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 8,981,103
Private-purpose trust fund	54,068
Agency funds	<u>4,040,673</u>
Total	<u>\$ 13,075,844</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2010 as reported on the fund statements, consist of the following individual interfund loan receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 100,000

The primary purpose of the interfund balance is to cover costs in the permanent improvement nonmajor capital projects fund where revenues were not received by June 30. The interfund balance will be repaid once the anticipated revenues are received. The interfund balance is expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the statement of net assets.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B. Interfund transfers for the year ended June 30, 2010, consisted of the following transfer, as reported on the fund financial statements:

Transfers to General fund from:

Nonmajor internal service fund	\$ 2,013,909
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The \$2,013,909 transfer from the internal service fund to the general fund was a residual equity transfer. Effective July 1, 2009, the District joined the PCPEBP and was no longer self-insured for health care coverage.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

The transfer was made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Hocking and Pickaway Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$659,241 in the general fund and \$16,718 in the permanent improvement nonmajor capital projects fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$1,414,581 in the general fund, \$35,674 in the permanent improvement nonmajor capital projects fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 269,387,920	90.21	\$ 271,720,200	95.00
Public utility personal	16,284,800	5.45	13,536,280	4.73
Tangible personal property	<u>12,958,900</u>	<u>4.34</u>	<u>765,030</u>	<u>0.27</u>
Total	<u>\$ 298,631,620</u>	<u>100.00</u>	<u>\$ 286,021,510</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$40.05		\$40.10	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 7 – RECEIVABLES - (Continued)

Governmental activities:

Taxes	\$ 7,935,717
Accounts	3,206
Intergovernmental	273,416
Accrued interest	<u>1,074</u>
Total	<u>\$ 8,213,413</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance <u>06/30/09</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/10</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 8,024	\$ 205,024	\$ -	\$ 213,048
Total capital assets, not being depreciated	<u>8,024</u>	<u>205,024</u>	<u>-</u>	<u>213,048</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,312,088	-	-	1,312,088
Buildings and improvements	4,927,330	-	-	4,927,330
Furniture and equipment	2,388,084	39,797	(24,099)	2,403,782
Vehicles	<u>2,234,455</u>	<u>-</u>	<u>-</u>	<u>2,234,455</u>
Total capital assets, being depreciated	<u>10,861,957</u>	<u>39,797</u>	<u>(24,099)</u>	<u>10,877,655</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(846,571)	(43,666)	-	(890,237)
Buildings and improvements	(2,543,670)	(58,758)	-	(2,602,428)
Furniture and equipment	(2,083,815)	(85,032)	20,738	(2,148,109)
Vehicles	<u>(1,333,398)</u>	<u>(140,659)</u>	<u>-</u>	<u>(1,474,057)</u>
Total accumulated depreciation	<u>(6,807,454)</u>	<u>(328,115)</u>	<u>20,738</u>	<u>(7,114,831)</u>
Governmental activities capital assets, net	<u>\$ 4,062,527</u>	<u>\$ (83,294)</u>	<u>\$ (3,361)</u>	<u>\$ 3,975,872</u>

Depreciation expense was charged to governmental functions as follows:

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 8 - CAPITAL ASSETS - (Continued)

Instruction:

Regular	\$ 61,135
Special	12,218
Vocational	3,284

Support services:

Pupil	437
Instructional staff	21,810
Administration	5,918
Fiscal	271
Operations and maintenance	9,420
Pupil transportation	147,264
Central	6,472
Extracurricular activities	53,300
Food service operations	<u>6,586</u>

Total depreciation expense \$ 328,115

NOTE 9 - LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/10</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
Compensated absences	<u>\$ 1,235,191</u>	<u>\$ 179,387</u>	<u>\$ (105,485)</u>	<u>\$ 1,309,093</u>	<u>\$ 89,190</u>

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

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$25,671,238 and an unvoted debt margin of \$285,236.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 10 - COMPENSATED ABSENCES

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

NOTE 11 - RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2010, the District contracted with Ohio Casualty Insurance Company for liability, property, fleet, crime, and inland marine coverage. The District also purchases faithful performance bonds from Travelers Casualty and Surety Company of America. Coverage provided at June 30, 2010 is as follows:

Building and Contents (\$1,000 deductible)	\$39,492,000
Inland Marine (\$500 deductible)	100,000
Automobile Liability (\$500 deductible)	4,000,000
Crime (\$250 deductible)	
Employee Theft	50,000
Forgery or Alteration	50,000
Inside the Premises - Theft of Money and Securities	25,000
Outside the Premises - Theft of Money and Securities	25,000
General Liability	
Aggregate	3,000,000
Per Occurrence	1,000,000
Employer's Liability - Stop Gap Coverage Endorsement (\$5,000 deductible)	
Aggregate	3,000,000
Each Wrongful Act	1,000,000
Bodily Injury by Accident	1,000,000
Bodily Injury by Disease	1,000,000
Educational Legal Liability (\$2,500 deductible)	
Aggregate	3,000,000
Each Injury	1,000,000
Excess Liability Coverage	
Aggregate	3,000,000
Per Occurrence	3,000,000
Public Official Bonds	
Treasurer	50,000
Superintendent / Board President (each)	20,000

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Dental Insurance

Dental insurance is offered to employees through a self-insurance internal service fund. Professional Risk Management, Inc. is the third party administrator for dental insurance. Dental insurance premiums are determined by the District Board of Education, which then pays all incurred claims. Professional Risk Management, Inc. services all dental claims submitted by employees.

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

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Claims liabilities at beginning of fiscal year	\$ 19,140	\$ 15,272
Incurred claims	198,155	205,595
Claims paid	<u>(202,154)</u>	<u>(201,727)</u>
Claims liabilities at end of fiscal year	<u>\$ 15,141</u>	<u>\$ 19,140</u>

C. Health Care Benefits

Effective July 1, 2009, the District began offering health care benefits to employees through the PCPEBP, a public entity shared risk pool, currently operating as a common risk management and insurance program for 4 member school districts. The PCPEBP was organized to provide health care benefits to its members.

The District pays 94% of the health care insurance premiums for all full-time employees. This percentage is pro-rated for part-time employees. The health care coverage is administered by United Healthcare, a third party administrator. The stop-loss coverage is \$150,000 per covered person and an aggregate of \$2,000,000.

D. Life Insurance

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

E. Workers' Compensation

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC) Workers' Compensation Group Rating Plan (GRP). The SOEPC contracts with Hunter Consulting to provide an insurance purchasing pool for workers compensation. The intent of the pool is to achieve the benefit of a reduced premium for the District by virtue of grouping and representation with other participants in the pool. The workers compensation experience of the participating school districts is calculated as on experience and a common premium rate is applied to all school districts in the pool. Each participant pays this rate. Total savings is then calculated and each participant's individual performance is compared to the overall savings percentage of the pool. A participant will then either receive money from or be required to contribute to the pool. This equity pooling arrangement insures that each participant shares equally in the overall performance of the pool. Participation in the pool is limited to school districts that can meet the pool's selection criteria. Hunter Consulting provides administrative cost control and actuarial services to the SOEPC.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and [name of your school district] is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$372,976, \$232,891 and \$228,474, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 12 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio (Continued)

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,153,107, \$1,141,933 and \$1,085,052, respectively; 82.80 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$34,169 made by the District and \$24,406 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Postemployment Benefits

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS – (Continued)

A. School Employees Retirement System (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation is .76%. The District contributions for the years ended June 30, 2010, 2009 and 2008 were \$48,646, \$141,810 and \$139,488, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is .46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$22,169, \$19,215 and \$16,462, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$88,701, \$87,841 and \$83,466, respectively; 82.80 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 2,184,999
Net adjustment for revenue accruals	(852,538)
Net adjustment for expenditure accruals	101,123
Net adjustment for other sources/uses	45,285
Adjustment for encumbrances	<u>60,676</u>
GAAP basis	<u>\$ 1,539,545</u>

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2010.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 16 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside balance as of June 30, 2009	\$ (36,653)	\$ -	\$ 170,623
Current year set-aside requirement	347,636	347,636	-
Current year offsets	-	(225,353)	-
Qualifying disbursements	<u>(395,988)</u>	<u>(723,238)</u>	
Total	<u>\$ (85,005)</u>	<u>\$ (600,955)</u>	<u>\$ 170,623</u>
Balance carried forward to fiscal year 2011	<u>\$ (85,005)</u>	<u>\$ -</u>	<u>\$ 170,623</u>

The District had qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks reserve; this extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

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

A schedule of the governmental fund restricted assets at June 30, 2010 follows:

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

NOTE 17 - SIGNIFICANT SUBSEQUENT EVENTS

On August 3, 2010, voters renewed an \$812,000 emergency levy for five more years.

On November 2, 2010, voters approved a replacement of the one percent income tax with a one percent income tax on earned income only for five years.

LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	2010	10.553	\$ 19,874	\$ 19,874
National School Lunch Program	2010	10.555	64,597	64,597
Cash Assistance:				
School Breakfast Program	2010	10.553	93,142	93,142
National School Lunch Program	2010	10.555	302,739	302,739
<i>Total Child Nutrition Cluster</i>			<u>480,352</u>	<u>480,352</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>480,352</u>	<u>480,352</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies				
Title I Grants to Local Educational Agencies	2010	84.010	326,092	345,012
ARRA- Title I Grants to Local Educational Agencies	2010	84.389	102,157	91,143
<i>Total Title I Grants to Local Educational Agencies</i>			<u>428,249</u>	<u>436,155</u>
Special Education Cluster:				
Special Education Grants to States	2010	84.027	427,467	428,401
ARRA Special Education Grants to States	2010	84.391	285,889	268,719
Special Education - Preschool Grants	2010	84.173	8,702	8,769
ARRA- Special Education - Preschool Grants	2010	84.392	15,394	15,289
<i>Total Special Education Cluster</i>			<u>737,452</u>	<u>721,178</u>
Safe and Drug-Free Schools and Communities State Grants	2010	84.186	7,585	8,081
Education Technology State Grants	2010	84.318	8,153	3,153
Improving Teacher Quality State Grants	2010	84.367	126,313	128,336
ARRA- State Fiscal Stabilization Fund- Education State Grants	2010	84.394	491,610	491,610
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,799,362</u>	<u>1,788,513</u>
TOTALS			<u>\$ 2,279,714</u>	<u>\$ 2,268,865</u>

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

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports Logan Elm Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at their fair value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Logan Elm Local School District, Pickaway County, Ohio (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 2, 2011.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

March 2, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Logan Elm Local School District, Pickaway County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Logan Elm Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 2, 2011.

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



Dave Yost
Auditor of State

March 2, 2011

**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	ARRA/Title I Grants to States (CFDA #84.010, 84.389) ARRA/Special Education Cluster (CFDA #84.027, 84.173, 84.391, 84.392) ARRA/State Fiscal Stabilization Funding (CFDA 84.394)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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LOGAN ELM LOCAL SCHOOL DISTRICT

PICKAWAY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 22, 2011