



**LOGAN ELM LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Logan Elm Local School District, Pickaway County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Logan Elm Local School District, Pickaway County, Ohio as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 10 to the general-purpose financial statements, the District adopted Governmental Accounting Standards Board Statement No. 32 "*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*"

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

March 6, 2000

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COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits:			
Equity in Pooled Cash and Investments	\$4,319,560	351,375	59,630
Restricted Assets	63,986	0	0
Taxes Receivable	7,085,361	0	217,469
Interfund Receivable	51,733	0	0
Intergovernmental Receivable	2,800	40,484	0
Accounts Receivable	5,887	1,710	0
Supplies Inventory	0	0	0
Inventory for Resale	0	0	0
Property, Plant & Equipment (Net of Depreciation, where	0	0	0
Amount to be Provided for Retirement of General Long Term Debt	0	0	0
Total Assets and Other Debits	\$1,529,327	393,569	277,099
Liabilities:			
Interfund Payable	\$ 0	11,148	40,585
Intergovernmental Payable	192,690	8,986	0
Contracts Payable	0	0	223,131
Accounts Payables	110,294	7,712	0
Accrued Salaries & Benefits	894,089	57,195	0
Deferred Revenue	6,817,455	0	209,247
Claims Payable	0	0	0
Due to Others	0	0	0
Capital Leases Payable	0	0	0
Compensated Absences Payable	13,708	0	0
Total Liabilities	8,028,236	85,041	472,963
Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Retained Earnings	0	0	0
Fund Balances:			
Reserved for Encumbrances	45,082	22,088	8,314
Reserved for Trust	0	0	0
Reserved for Budget Stabilization	63,986	0	0
Reserved for Future Appropriation	267,905	0	8,223
Unreserved Fund Balance	3,124,118	286,440	(212,401)
Total Fund Equity	3,501,091	308,528	(195,864)
Total Fund Balances/Retained Earnings and Other Credits	3,501,091	308,528	(195,864)
Total Liabilities, Fund Equity, and Other Credits	\$1,529,327	393,569	277,099

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals 1999
Enterprise	Internal Service	Trust and Agency	General Fixed	General Long Term	(Memorandum (Only))
118,624	689,741	270,043	0	0	\$ 5,808,973
0	0	0	0	0	63,986
0	0	0	0	0	7,302,830
0	0	0	0	0	51,733
18,888	0	0	0	0	62,172
211	0	434	0	0	8,242
2,468	0	0	0	0	2,468
14,545	0	0	0	0	14,545
129,874	0	0	9,396,909	0	9,526,783
0	0	0	0	950,873	950,873
284,610	689,741	270,477	9,396,909	950,873	23,792,605
0	0	0	0	0	51,733.
30,399	4,038	31,540	0	102,364	370,017
0	0	0	0	0	223,131
0	164	1,205	0	0	119,375
36,897	54,785	0	0	0	1,042,966
10,147	0	0	0	0	7,036,849
0	188,428	0	0	0	188,428
0	0	108,149	0	0	108,149
0	0	0	0	5,623	5,623
39,442	0	0	0	842,886	896,036
116,885	247,415	140,894	0	950,873	10,042,307
0	0	0	9,396,909	0	9,396,909
167,725	442,326	0	0	0	610,051
0	0	819	0	0	76,303
0	0	104,300	0	0	104,300
0	0	0	0	0	63,986
0	0	0	0	0	276,128
0	0	24,464	0	0	3,222,621
0	0	129,583	0	0	3,743,338
167,725	442,326	129,583	9,396,909	0	13,750,298
284,610	689,741	270,477	9,396,909	950,873	\$ 23,792,605

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum) (Only)
REVENUES:						
Intergovernmental	\$5,054,634	846,833	0	212,103	0	\$ 6,113,570
Earnings on Investments	297,726	0	0	0	6,713	304,439
Tuition	40,568	0	0	0	0	40,568
Extracurricular Activities	0	230,499	0	0	0	230,499
Classroom Materials & Fees	81,284	0	0	0	0	81,284
Revenue in Lieu of Taxes	37,893	0	0	0	0	37,893
Property & Other Local Taxes	6,043,404	0	175,525	140,806	0	6,359,735
Miscellaneous	39,970	575	0	0	4,529	45,074
Total Revenue	11,595,479	1,077,907	175,525	352,909	11,242	13,213,062
EXPENDITURES:						
Instruction						
Regular Instruction	5,507,015	118,351	0	257,565	0	5,882,931
Special Instruction	1,335,853	412,848	0	0	0	1,748,701
Vocational Instruction	5,407	0	0	0	0	5,407
Supporting Services						
Supporting Services-Pupils	390,247	73,107	0	0	0	463,354
Supporting Services-Instructional	301,366	114,302	0	0	4,365	420,033
Supporting Services-Board of	102,834	307	0	0	750	103,891
Supporting Services-Administration	1,347,607	70,347	0	4,977	0	1,422,931
Fiscal Services	359,831	0	0	0	0	359,831
Operation & Maintenance-Plant	1,260,902	11,204	0	444,057	0	1,716,163
Supporting Services-Pupil	1,062,207	0	0	0	0	1,062,207
Central Services	4,858	4,647	0	0	0	9,505
Extracurricular Activities						
Student Activities	210,640	163,777	0	0	0	374,417
Debt Service						
Repayment of Debt	0	0	175,525	0	0	175,525
Total Expenditures	11,888,767	968,890	175,525	706,599	5,115	13,744,896
Excess (Deficiency) of Revenues Over (Under) Expenditures	(293,288)	109,017	0	(353,690)	6,127	(531,834)
Other Financing Sources and Uses:						
Other Sources	7,837	0	0	0	0	7,837
Net Other Financing Sources and Uses	7,837	0	0	0	0	7,837
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure Disbursement and Other Uses	(285,451)	109,017	0	(353,690)	6,127	(523,997)
Decrease in Inventory	(23,444)	0	0	0	0	(23,444)
Beginning Fund Balance	3,809,986	199,511	0	157,826	19,156	4,186,479
Ending Fund Balance	\$3,501,091	308,528	0	(195,864)	25,283	\$ 3,639,038

See Accompanying Notes to the General Purpose Financial Statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 3,793,320	5,051,834	1,258,514	848,740	913,940	\$ 65,200
Earnings on Investments	241,209	297,726	56,517	0	0	0
Tuition	26,321	40,531	14,210	0	0	0
Extracurricular Activities	0	0	0	184,330	222,188	37,858
Classroom Materials & Fees	70,974	81,284	10,310	0	0	0
Revenue in Lieu of Taxes	37,893	37,893	0	0	0	0
Property & Other Local Taxes	6,693,700	6,912,597	218,897	0	0	0
Miscellaneous	28,041	39,361	11,320	0	0	0
Total Revenue	10,891,458	12,461,226	1,569,768	1,033,070	1,136,128	103,058
Expenditures:						
Regular Instruction	5,532,103	5,494,371	37,732	112,565	112,290	275
Special Instruction	1,372,742	1,331,552	41,190	434,863	428,661	6,202
Vocational Instruction	5,997	5,407	590	0	0	0
Support Services-Pupils	396,379	396,221	158	76,068	73,483	2,585
Support Services-Instructional Staff	303,370	302,616	754	115,579	112,427	3,152
Support Services-Board of Education	134,313	129,581	4,732	0	0	0
Support Services-Administration	1,379,158	1,354,907	24,251	70,928	71,380	(452)
Fiscal Services	424,512	360,656	63,856	0	0	0
Operation & Maintenance-Plant	1,313,079	1,304,364	8,715	11,204	11,204	0
Support Services-Transportation	1,107,217	1,080,235	26,982	0	0	0
Central Services	8,000	8,000	0	15,602	4,647	10,955
Extracurricular Activities	216,125	210,822	5,303	180,033	181,535	(1,502)
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	12,192,995	11,978,732	214,263	1,016,842	995,627	21,215
Excess of Revenue Over (Under) Expenditures	(1,301,537)	482,494	1,784,031	16,228	140,501	124,273
Other Financing Sources (Uses):						
Advances-In	87,079	193,379	106,300	33,222	80,528	47,306
Other Financing Sources	2,597	2,597	0	0	0	0
Advances-Out	(236,727)	(221,113)	15,614	(91,879)	(93,379)	(1,500)
Total Other Sources (Uses)	(147,051)	(25,137)	121,914	(58,657)	(12,851)	45,806
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,448,588)	457,357	1,905,945	(42,429)	127,650	170,079
Beginning Fund Balance	3,648,161	3,648,161	0	122,312	122,312	0
Prior Year Carry Over Encumbrances	147,189	147,189	0	74,645	74,645	0
Ending Fund Balance	\$ 2,346,762	4,252,707	1,905,945	154,528	324,607	\$ 170,079

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS- (continued)
YEAR ENDED JUNE 30, 1999

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 175,525	175,525	0	211,052	212,103	\$ 1,051
Earnings on Investments	0	0	0	0	0	0
Tuition	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Revenue in Lieu of Taxes	0	0	0	0	0	0
Property & Other Local Taxes	0	0	0	210,758	222,450	11,692
Miscellaneous	0	0	0	0	0	0
Total Revenue	175,525	175,525	0	421,810	434,553	12,743
Expenditures:						
Regular Instruction	0	0	0	258,915	258,915	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	4,331	4,977	(646)
Fiscal Services	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	405,243	405,243	0
Support Services-Transportation	0	0	0	0	0	0
Central Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Repayment of Debt	175,525	175,525	0	0	0	0
Total Expenditures	175,525	175,525	0	668,489	669,135	(646)
Excess of Revenue Over (Under) Expenditures	0	0	0	(246,679)	(234,582)	12,097
Other Financing Sources (Uses):						
Advances-In	0	0	0	140,586	140,586	0
Other Financing Sources	0	0	0	0	0	0
Advances-Out	0	0	0	(100,000)	(100,000)	0
Total Other Sources (Uses)	0	0	0	40,586	40,586	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(206,093)	(193,996)	12,097
Beginning Fund Balance	0	0	0	53,990	53,990	0
Prior Year Carry Over Encumbrances	0	0	0	191,321	191,321	0
Ending Fund Balance	\$ 0	0	0	39,218	51,315	\$ 12,097

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS - (continued)
YEAR ENDED JUNE 30, 1999

	Expendable Trust			Totals (Memorandum Only)		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$ 0	0	0	5,028,637	6,353,402	\$ 1,324,765
Earnings on Investments	5,111	6,284	1,173	246,320	304,010	57,690
Tuition	0	0	0	26,321	40,531	14,210
Extracurricular Activities	0	0	0	184,330	222,188	37,858
Classroom Materials & Fees	0	0	0	70,974	81,284	10,310
Revenue in Lieu of Taxes	0	0	0	37,893	37,893	0
Property & Other Local Taxes	0	0	0	6,904,458	7,135,047	230,589
Miscellaneous	175	5,104	4,929	28,216	44,465	16,249
Total Revenue	5,286	11,388	6,102	12,527,149	14,218,820	1,691,671
Expenditures:						
Regular Instruction	0	0	0	5,903,583	5,865,576	38,007
Special Instruction	0	0	0	1,807,605	1,760,213	47,392
Vocational Instruction	0	0	0	5,997	5,407	590
Support Services-Pupils	0	0	0	472,447	469,704	2,743
Support Services-Instructional Staff	5,184	5,184	0	424,133	420,227	3,906
Support Services-Board of Education	1,057	1,057	0	135,370	130,638	4,732
Support Services-Administration	275	237	38	1,454,692	1,431,501	23,191
Fiscal Services	0	0	0	424,512	360,656	63,856
Operation & Maintenance-Plant	0	0	0	1,729,526	1,720,811	8,715
Support Services-Transportation	0	0	0	1,107,217	1,080,235	26,982
Central Services	0	0	0	23,602	12,647	10,955
Extracurricular Activities	0	0	0	396,158	392,357	3,801
Repayment of Debt	0	0	0	175,525	175,525	0
Total Expenditures	6,516	6,478	38	14,060,367	13,825,497	234,870
Excess of Revenue Over (Under) Expenditures	(1,230)	4,910	6,140	(1,533,218)	393,323	1,926,541
Other Financing Sources (Uses):						
Advances-In	0	0	0	260,887	414,493	153,606
Other Financing Sources	0	0	0	2,597	2,597	0
Advances-Out	0	0	0	(428,606)	(414,492)	14,114
Total Other Sources (Uses)	0	0	0	(165,122)	2,598	167,720
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,230) 4	4,910	6,140	(1,698,340)	395,921	2,094,261
Beginning Fund Balance	18,416	18,416	0	3,842,879	3,842,879	0
Prior Year Carry Over Encumbrances	1,103	1,103	0	414,258	414,258	0
Ending Fund Balance	\$ 18,289	24,429	6,140	2,558,797	4,653,058	\$ 2,094,261

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/
FUND BALANCE - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND
YEAR ENDED JUNE 30, 1999**

	Enterprise Funds	Internal Service Funds	Non- Expendable Fund	Totals (Memorandum) (Only)
Operating Revenues:				
Sales	\$ 443,212	0	0	\$ 443,212
Insurance Revenues	0	1,101,83	0	1,101,833
Other Revenues	848	0	0	848
Total Operating Revenue	444,060	1,101,83 3	0	1,545,893
Operating Expenses:				
Personal Services - Salary	242,675	0	0	242,675
Employee Benefits	116,332	54,784	0	171,116
Purchased Services	23,243	24,581	0	47,824
Cost of Goods	265,744	0	0	265,744
Insurance Services	0	1,286,25	0	1,286,255
Depreciation	16,037	0	0	16,037
Total Operating Expenses	664,031	1,365,62	0	2,029,651
Operating Loss	(219,971)	(263,787)	0	(483,758)
Non-Operating Revenues:				
Earnings on Investment	2,101	1,985	0	4,086
Federal and State Subsidies	175,942	0	0	175,942
Total Non-Operating Revenue	178,043	1,985	0	180,028
Net Loss	(41,928)	(261,802)	0	(303,730)
Beginning Retained Earnings/Fund Balance	209,653	704,128	104,300	1,018,081
Retained Earnings/Fund Balance at End of Year	\$ 167,725	442,326	104,300	\$ 714,351

See Accompanying Notes to the General Purpose Financial Statements.

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND
YEAR ENDED JUNE 30, 1999

	Enterprise Funds	Internal Service Funds	Non- Expendable Fund	Totals (Memorandum) (Only)
Cash Flows from Operating Activities				
Operating Loss	\$ (219,971)	(263,787)	0	\$ (483,758)
Adjustments to Reconcile Operating Loss to Net Cash provided by Operating Activities:				
Depreciation	16,037	0	0	16,037
Acquisition in Assets	(11,995)	0	0	(11,995)
Donated Commodities Used During Year	35,736	0	0	35,736
Net Increase in Assets:				
Intergovernmental Receivable	(18,888)	0	0	(18,888)
Accounts Receivable	(211)	0	0	(211)
Inventory	(2,717)	0	0	(2,717)
Net Increase (Decrease) in liabilities:				
Accounts Payable	(643)	0	0	(643)
Accrued Wages and Benefits	4,433	54,784	0	59,217
Compensated Absences	16,627	0	0	16,627
Intergovernmental Payable	25,854	4,038	0	29,892
Claims Payable	0	95,901	0	95,901
Deferred Revenue	2,320	0	0	2,320
Net Adjustments	<u>66,553</u>	<u>154,723</u>	<u>0</u>	<u>221,276</u>
Net Cash Used in Operating Activities	(153,418)	(109,064)	0	(262,482)
Cash Flows from Noncapital Financing Activities:				
Grants from State and Federal Sources	140,206	0	0	140,206
Net Cash Provided by Noncapital Financing Sources	<u>140,206</u>	<u>0</u>	<u>0</u>	<u>140,206</u>
Cash Flows from Investing Activities:				
Interest	2,101	1,985	0	
Net Cash Provided by Investing Activities	<u>2,101</u>	<u>1,985</u>	<u>0</u>	<u>0</u>
Net Increase in Cash & Cash Equivalents	(11,111)	(107,079)	0	(122,276)
Cash and Cash Equivalents at Beginning of Year	<u>129,735</u>	<u>796,820</u>	<u>104,300</u>	<u>1,030,855</u>
Cash and Cash Equivalents at End of Year	<u>\$ 118,624</u>	<u>689,741</u>	<u>104,300</u>	<u>\$ 908,579</u>

See Accompanying Notes to General Purpose Financial Statements.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Logan Elm Local School 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 operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the District's instructional/support facilities staffed by 101 classified and 149 certificated personnel who provide services to 2,378 students and other community members.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Logan Elm Local 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes for the organization. The District has no component units.

The following entities which perform activities within the District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

City of Circleville - The city government is a separate body politic and corporate. A mayor and council are elected independent of any District relationships and administer the provision of traditional city services. The council acts as the taxing and budgeting authority for these city services.

Townships of Pickaway, Washington, Salt Creek (Pickaway County), Perry, Salt Creek (Hocking County) - Township governments are separate bodies politic and corporate. A board of trustees and clerk are elected independent of any District relationships and administer the traditional township services. The Trustees act as the taxing and budgeting authority for these services.

Pickaway County Public Library - The Library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The board of trustees possesses its own contracting and budgetary authority, hires and fires personnel and does not depend on the District for operational subsidies. The District does not exercise significant influence over its daily operations, participate in fiscal management or scope of public service, provide financial support, or hold accountability for fiscal matters.

Parent Teacher Association and Athletic/Music Boosters - These organizations exist to support various endeavors of the District through donations of time and other resources. Although the District benefits directly from the activities, the District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (continued)

The District is associated with two organizations, one of which is a public entity risk pool, and the other a jointly governed organization. These organizations are the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Metropolitan Educational Council (MEC). These organizations are discussed in Notes 11 and 14 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Logan Elm Local School District have been prepared in conformity with generally accepted accounting principles (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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund

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

Special Revenue Funds

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Governmental Fund Types: (Continued)

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

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

Proprietary Fund Types:

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

Enterprise Funds

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

Internal Service Funds

Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis.

Fiduciary Fund Types:

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

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Account Groups: (Continued)

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants, entitlements and student fees. The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and nonexpendable trust funds. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as federal subsidy revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

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 express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources

By 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. Prior to year-end, the District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data (Continued)

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

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

During Fiscal Year 1999, the District invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$297,726. The expendable trust funds, enterprise funds, and internal service funds also received interest revenue of \$6,713, \$2,101, and \$1,985 respectively.

For purposes of the statement of cash flows, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the District received a \$63,986 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. A fund balance reserve has also been established.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 1999. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period it is levied, provided the funds are "available". "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority is not due at June 30, 1999 and accordingly has been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. No material inventory in governmental funds existed at June 30, 1999. Inventories of proprietary funds consist of donated food and purchased food held for resale and supplies, and are expended when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of five to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Special Revenue Funds

Data Communications Subsidy

Disadvantaged Pupil Impact Aid

Educational Management Information Systems

Textbook Subsidy

Capital Projects Fund

School Net Plus Grant

Non-Reimbursable Grants

Special Revenue Funds

Comprehensive School Reform Demonstration

Curricular Pathways

Drug Free Schools

Eisenhower

Entry Year

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Special Revenue Funds

- Martha Holden Jennings Foundation
- Preschool Handicapped
- Professional Development Block
- Reading Recovery
- School-to-Work
- Teen Pregnancy
- Title I
- Title VI
- Title VI B

Reimbursable Grants:

General Fund

- Driver Education Reimbursement

Enterprise Fund

- Government Donated Commodities
- National School Breakfast Program
- National School Lunch Program

Grants and entitlements received in governmental funds amounted to approximately 45.80% percent of governmental fund revenue during the 1999 fiscal year.

K. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. Capital leases are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Fund Balance Reserves

The District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity available for appropriation in future periods. Fund equity reserves have been established for encumbrances, budget stabilization, inventory, and future appropriation. The reserve for future appropriation represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Q. Estimates

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

3. BUDGETARY BASIS OF ACCOUNTING

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types and Similar Fiduciary Fund Type					
	Governmental Fund Types				Fiduciary
	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust
GAAP Basis	(285,451)	109,017	0	(353,690)	6,127
Increase (Decrease) Due to:					
Revenue Accruals	860,506	58,221	0	81,644	146
Expenditure Accruals	(44,883)	(4,649)	0	45,778	(544)
Encumbrances	(45,082)	(22,088)	0	(8,314)	(819)
Advances	(27,733)	(12,851)	0	40,586	0
Budget Basis	457,357	127,650	0	(193,996)	4,910

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. CASH AND INVESTMENTS (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies 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 accounts, including passbook accounts.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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. Bond 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) 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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. CASH AND INVESTMENTS (Continued)

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

Deposits: At year-end, the carrying amount of the District's deposits was \$584,048 and the bank balance was \$716,467 (amounts include \$104,300 certificate of deposit). Of the bank balance:

1. \$206,580 was covered by federal depository insurance; and
2. \$509,887 was uninsured and uncollateralized.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at fiscal year-end. All investments held at fiscal year-end were with STAR Ohio. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The reported amount of investments in STAR Ohio as of June 30, 1999 was \$5,288,911, which was also the fair value.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."* A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No.9	\$ 5,872,959	\$ 0
Investments:		
STAR Ohio	(5,288,911)	5,288,911
Total	\$ 584,048	\$ 5,288,911

5. PROPERTY TAX

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 1999 real property taxes are collected in and intended to finance fiscal year 2000.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien on December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. PROPERTY TAX (Continued)

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true 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 statutes permit alternate payment dates to be established.

Tangible personal property taxes 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.

Manufactured Home Tax, commonly referred to as House Trailer Tax, is based on the purchase price obtained from the title: (1) ninety-five percent unfurnished or (2) eighty percent furnished with a five percent drop each year

All property is required to be revalued every six years. The last revaluation for the District was completed in 1993, and an update was done in 1996. The next revaluation is scheduled for 1999. The assessed values upon which the fiscal year 1999 taxes were collected are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property	\$135,140,290	61.70%	\$144,354,310	62.64%
Public Utility	24,901,850	11.37%	24,837,780	10.78%
Tangible Personal Property	<u>58,972,790</u>	<u>26.93%</u>	<u>61,250,982</u>	<u>26.58%</u>
Total Assessed Value	<u>\$219,014,930</u>	100.00%	<u>\$230,443,072</u>	100.00%

The full tax rate at the fiscal year ended June 30, 1999 for operations was \$41.00 per \$1,000 of assessed valuation.

The District receives property taxes from Pickaway and Hocking County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$276,128, and is recognized as revenue. Approximately \$267,905 was available to the general fund and \$8,223 was available to the permanent improvement fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

6. RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (miscellaneous), 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 guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Drivers Education Reimbursement	\$ 0	\$ 2,800	\$ 2,800
Title VI-B	37,873	0	37,873
E-Rate	2,611	0	2,611
Food Service Reimbursement	<u>18,292</u>	<u>596</u>	<u>18,888</u>
Total	<u>\$ 58,776</u>	<u>\$ 3,396</u>	<u>\$ 62,172</u>

7. FIXED ASSETS

The following is a summary of the enterprise funds' property, plant and equipment at June 30, 1999:

Furniture and Equipment	383,182
Less Accumulated Depreciation	<u>(253,308)</u>
Net Fixed Assets	<u>\$ 129,874</u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

	<u>General Fixed Assets June 30, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>General Fixed Assets June 30, 1999</u>
Land and Improvements	\$ 392,481	\$ 0	\$ 0	\$ 392,481
Buildings	4,358,028	0	0	4,358,028
Furniture and Equipment	2,824,633	365,748	0	3,190,381
Vehicles	<u>1,456,019</u>	<u>0</u>	<u>0</u>	<u>1,456,019</u>
Total General Fixed Assets	<u>\$ 9,031,161</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,396,909</u>

There was no significant construction in progress at June 30, 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution, or other agency wholly controlled, managed, and supported in whole, or in part, by the state or any political subdivision thereof. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$884,376, \$916,919, and \$860,654, respectively; 83.33 percent has been contributed for fiscal year 1999, and 100 percent for fiscal years 1998 and 1997. \$147,396, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$268,320, \$247,919, and \$239,363, respectively; 43.76 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$172,447, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

8. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 1999, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the District, this amount equaled \$505,358 during fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$159,031.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

10. EMPLOYEE BENEFITS

A. 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 twenty 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. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

B. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. This plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

For fiscal year 1999, the District implemented *GASB Statement No. 32, "Deferred Compensation Plans"*. This statement eliminates the requirement that the District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established a trust fund and the amounts are no longer reported on the District's balance sheet as of June 30, 1999.

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 1999, the District contracted with Nationwide Insurance for liability, property, fleet, crime, and inland marine coverage. This District also purchases faithful performance bonds from Nationwide. Coverages provided at June 30, 1999 are as follows:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

11. RISK MANAGEMENT (Continued)

A. General Risk (Continued)

Building and Contents (\$1,000 deductible)	\$32,127,500
Inland Marine (\$250 deductible)	1,010,650
Automobile Liability (\$100 deductible)	3,000,000
Uninsured Motorists	3,000,000
Crime	
Theft, Inside the Premises	10,000
Theft, Outside the Premises	10,000
Public Employee Dishonesty	50,000
General Liability	
Aggregate	5,000,000
Per Occurrence	2,000,000
Fire Damage Limit (Any One Fire)	100,000
Medical Expense Limit (Any One Person)	5,000
Public Official Bonds	
Treasurer	50,000
Superintendent / Board President (each)	20,000
Board Vice President / 3 Administrative Assts (each)	5,000

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.

B. Workers Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, The President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

11. RISK MANAGEMENT (Continued)

C. Health / Medical and Dental Insurance (Continued)

Health and dental insurance is offered to employees through self-insurance internal service funds. Professional Risk Management, Inc., is the third party administrator for both programs. In regards to health / medical insurance, the District participates as a member of the Ross County School Employees Insurance Consortium (RCSEIC). RCSEIC currently includes 18 member school districts. Health / medical insurance premiums are determined by the RCSEIC board of directors and are remitted monthly to the consortium's fiscal agent, who then pays all incurred claims. Dental insurance premiums are determined by the District Board of Education, which then pays all incurred claims.

Professional Risk Management, Inc., a third party administrator, services all health / medical claims and dental claims submitted by employees. The District has obtained a stop-loss coverage insurance policy covering individual claims in excess of \$65,000 per covered person and aggregate stop-loss coverage of \$2,000,000.

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

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Claim Liabilities at beginning of fiscal year	\$ 92,528	\$ 197,036
Incurred Claims	1,195,575	816,046
Claims Paid	<u>(1,099,675)</u>	<u>(920,554)</u>
Claim Liabilities at end of fiscal year	<u>\$ 188,428</u>	<u>\$ 92,528</u>

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

12. LONG-TERM DEBT

Long-Term Debt:

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows:

	<u>Balance 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/99</u>
Energy Conservation Notes	\$ 170,000	\$ 0	\$ 170,000	\$ 0
Capital Leases Payable	0	6,743	1,120	5,623
Intergovernmental Payable	0	102,364	0	102,364
Compensated Absences	823,171	19,714	0	842,885
Total General Long-Term Obligations	<u>\$ 993,171</u>	<u>\$ 128,821</u>	<u>\$ 171,120</u>	<u>\$ 950,872</u>

The Energy Conservation Notes were issued in the amount of \$357,786 at 6.5% interest on July 12, 1991, for the purpose of facility energy improvements.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

12. LONG-TERM DEBT (Continued)

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District's unvoted debt limit is \$230,443. The voted debt limit at June 30, 1999 is \$20,739,876.

13. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 1999, are as follows:

	Lunchroom Fund	Uniform Supply Fund	Total
Operating Revenues	\$ 443,390	\$ 670	\$ 444,060
Operating Expenses:			
Depreciation	16,037	0	16,037
Other Expenses	647,994	0	647,994
Total Operating Expenses	<u>664,031</u>	<u>0</u>	<u>664,031</u>
Operating Income (Loss)	<u>(220,641)</u>	<u>670</u>	<u>(219,971)</u>
Non Operating Revenues and Expenses:			
State and Federal Subsidies	142,506	0	142,506
Federal Commodities	33,436	0	33,436
Investment Earnings	2,101	0	2,101
Net Income (Loss)	<u>\$ (42,598)</u>	<u>\$ 670</u>	<u>\$ (41,928)</u>
Net Working Capital	86,114	1,327	87,441
Total Assets	283,283	1,327	284,610
Encumbrances	389	0	389
Retained Earnings	\$ 166,398	\$ 1,327	\$ 167,725

14. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council – The District is a participant in the Metropolitan Educational Council, which is a computer consortium. 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 MEC consists of one representative from each participating District in Franklin County, and one representative from each county with participating districts outside of Franklin County. The District paid MEC \$68,480 for services provided during the year.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

15. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

B. Litigation

The District is a party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

16. SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$4,158,994 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on the issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

17. STATUTORY RESERVES

The District is required by State Statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

17. STATUTORY RESERVES (Continued)

The following cash-basis information describes the change in the year-end set-aside amounts for textbooks and other instructional materials, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/1998	\$ 0	\$ 0	\$ 63,986	\$ 63,986
Required Set-Aside	183,032	183,032	0	366,064
Offset Credits	31,993	231,917	0	263,910
Qualifying Expenditures	251,365	336,669	0	588,034
Balance 6/30/1999	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 63,986</u>	<u>\$ 63,986</u>

18. FUND DEFICITS

The Permanent Improvement Fund had a deficit balance of \$209,823 at June 30, 1999. The deficit resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The District is aware of the deficits and will take the necessary steps to alleviate the deficit. The deficit results from revenue being insufficient to cover expenditures on the modified accrual basis of accounting. The General Fund is liable for any deficit in the fund and provides operating transfers when cash is required, not when accruals occur.

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**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass-Through Grantor/ Program Grant Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution (See Note "B")		10.550	\$ -	\$ 35,756	\$ -	\$ 33,435
National School Breakfast Program	05-PU 98/99	10.553	6,272	-	6,167	-
National School Lunch Program	04-PU 98/99 03-PU 98/99	10.555	110,778	-	110,778	-
Total U.S. Department of Agriculture			117,050	35,756	116,945	33,435
U.S. Department of Labor						
<i>Passed through Ohio Department of Education:</i>						
School to Work Grant	WK-BE 98/99	17.249	-	-	35,779	-
U.S. Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I	C1-S1 98/99	84.010	516,027	-	402,586	-
Eisenhower Professional	MS-S1	84.281	11,529	-	18,328	-
Drug Free Federal Subsidy	DR-S1 99	84.186	10,710	-	12,997	-
Title VI	C2-S1 99	84.298	8,223	-	3,310	-
Comp. School Reform	RF-S1 99	84.332	75,000	-	683	-
Special Education Cluster:						
Title VI B	6B-SF 97/98	84.027	91,289	-	106,864	-
Handicapped Pre-School	PG-S1 98 P	84.173	7,605	-	12,714	-
Total Department of Education			720,383	-	557,482	-
Total Federal Awards			\$ 837,433	\$ 35,756	\$ 710,206	\$ 33,435

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

We have audited the general-purpose financial statements of Logan Elm Local School District, Pickaway County, Ohio (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated March 6, 2000 where in we noted the District changed its method of accounting for the deferred compensation plan. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to management of the District in a letter dated March 6, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10665-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting which we have reported to management of the District in a letter dated March 6, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

March 6, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

Compliance

We have audited the compliance of Logan Elm Local School District, Pickaway County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

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

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



JIM PETRO
Auditor of State

March 6, 2000

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

JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 1999-10665-001

Monitoring Self-Insurance Activity

The District is a member of the Ross County School Employees Insurance Consortium (RCSEIC) for health self-insurance purposes. The District pays premiums monthly to the RCSEIC who then pays the third party administrator (TPA) for District claims. The District receives summary reports and a listing of claims payments from the TPA that are utilized to post activity to the District's financial statements. The District receives no reports from the consortium. Appropriate monitoring controls were not in place at the District over the claims payment activity and the summary reports received from the TPA.

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

**JUNE 30, 1999
(Continued)**

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

FINDING NUMBER 1999-10665-001 (Continued)

Monitoring Self-Insurance Activity (Continued)

Lack of proper monitoring controls allowed erroneous summary reports, presented by the TPA, to be posted to the District's financial statements. Material adjustments have been posted to the accompanying financial statements to correct these errors.

The District should obtain from the RCSEIC a summary report and reconciliation of the District's activity with the RCSEIC. The District should monitor these reports and compare them with the TPA summary reports to insure accuracy prior to posting activity to the financial statements. The District should also review listings of claims the TPA has approved to help assure the beneficiary is eligible for the benefits (i.e., is a District employee or family member).

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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OFFICE OF THE AUDITOR

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LOGAN ELM LOCAL SCHOOL DISTRICT

PICKAWAY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 18, 2000**