



**Auditor of State  
Betty Montgomery**



**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Benjamin Logan Local School District  
Logan County  
4740 County Road 26  
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the accompanying financial statements of the Benjamin Logan Local School District, Logan County, (the "School District"), as of and for the fiscal year ended June 30, 2004. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the accompanying financial statements and notes follow the basis of cash receipts and disbursements. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of School District, as of June 30, 2004, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2004, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

December 2, 2004

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types				Fiduciary Funds	Total (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
From Local Sources:						
Taxes	\$5,363,294	\$1,369,634	\$1,574,902			\$8,307,830
Tuition	761,949					761,949
Transportation Fees	20,398					20,398
Earnings on Investments	91,886					91,886
Extracurricular Activities		250,364				250,364
Classroom Materials and Fees	90,818					90,818
Miscellaneous	162,069	17,503			2,548	182,120
Intergovernmental - State	6,121,697	183,321	133,737			6,438,755
Intergovernmental - Federal		535,867				535,867
<b>Total Cash Receipts</b>	<b>12,612,111</b>	<b>2,356,689</b>	<b>1,708,639</b>		<b>2,548</b>	<b>16,679,987</b>
<b>Cash Disbursements:</b>						
Current:						
Instruction:						
Regular	5,179,158	597,338			2,598	5,779,094
Special	885,944	525,828				1,411,772
Vocational	549,298	12,788				562,086
Other	976,748					976,748
Support services:						
Pupil	383,898	153,712				537,610
Instructional staff	472,975	51,536				524,511
Board of Education	15,790					15,790
Administration	1,037,843	437,950				1,475,793
Fiscal	297,862	22,573	25,874			346,309
Operation and Maintenance	1,268,964					1,268,964
Pupil transportation	899,413	218,200				1,117,613
Central	138,852	40,465				179,317
Operation of Non-Instructional Services						0
Extracurricular Activities	271,583	113,900				385,483
Facilities Services	326,431	427,544				753,975
Debt Service:						
Principal Retirement	17,515		1,264,999			1,282,514
Interest and Fiscal Charges	9,885		388,128			398,013
<b>Total Cash Disbursements</b>	<b>12,732,159</b>	<b>2,601,834</b>	<b>1,679,001</b>		<b>2,598</b>	<b>17,015,592</b>
Excess of Receipts Over (Under) Disbursements	(120,048)	(245,145)	29,638		(50)	(335,605)
Other Financing Sources (Uses):						
Operating Transfers In		2,177				2,177
Operating Transfers Out	(9,833)					(9,833)
Advances In	87,539	243,365				330,904
Advances Out	(243,315)	(87,589)				(330,904)
Proceeds From Sale of Assets	831					831
Refund of Prior Year Receipts		(872)				(872)
Refund of Prior Year Expenditure	34,865	75,799				110,664
Other Miscellaneous Use of Funds		(8,185)				(8,185)
<b>Total Other Financing Sources (Uses)</b>	<b>(129,913)</b>	<b>224,695</b>				<b>94,782</b>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Uses	(249,961)	(20,450)	29,638		(50)	(240,823)
Fund Cash Balances, July 1	3,228,080	2,662,959	604,959	321	4,463	6,500,782
<b>Fund Cash Balances, June 30</b>	<b>\$2,978,119</b>	<b>\$2,642,509</b>	<b>\$634,597</b>	<b>\$321</b>	<b>\$4,413</b>	<b>\$6,259,959</b>

The notes to the general purpose financial statements are an integral part of this statement.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Proprietary Fund Type	Fiduciary Funds	Total (Memorandum Only)
	Enterprise Funds	Agency	
<b>Operating Cash Receipts:</b>			
Sales/Charges for Services	\$517,475		\$517,475
Classroom Material and Fees	4,090		4,090
Extracurricular Activities		238,188	238,188
	<u>521,565</u>	<u>238,188</u>	<u>759,753</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	262,655		262,655
Fringe Benefits	82,442		82,442
Contract Services	13,408	61,935	75,343
Materials and Supplies	312,623	188,927	501,550
Capital Outlay	11,120	2,325	13,445
Other Expenses	13,530		13,530
	<u>695,778</u>	<u>253,187</u>	<u>948,965</u>
Operating (Loss)	<u>(174,213)</u>	<u>(14,999)</u>	<u>(189,212)</u>
<b>Nonoperating Cash Receipts:</b>			
Grants	91,812		91,812
Miscellaneous	13,727	7,521	21,248
Refund of Prior Year Expenditures		120	120
Interest Revenue	1,662		1,662
	<u>107,201</u>	<u>7,641</u>	<u>114,842</u>
Net (Loss) Before Operating Transfers	<u>(67,012)</u>	<u>(7,358)</u>	<u>(74,370)</u>
Transfer In	<u>1,656</u>	<u>6,000</u>	<u>7,656</u>
Net (Loss)	<u>(65,356)</u>	<u>(1,358)</u>	<u>(66,714)</u>
Fund Cash Balances at July 1	<u>167,191</u>	<u>89,099</u>	<u>256,290</u>
<b>Fund Cash Balances at June 30</b>	<u><u>\$101,835</u></u>	<u><u>\$87,741</u></u>	<u><u>\$189,576</u></u>

*The notes to the general purpose financial statements are an integral part of this statement.*



**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Fund Types/Fund</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable/ (Unfavorable)</b>
<b>Governmental:</b>			
General Fund	\$12,264,625	\$12,735,346	\$470,721
Special Revenue Funds	2,825,959	2,678,030	(147,929)
Debt Service Funds	1,766,000	1,708,639	(57,361)
<b>Proprietary:</b>			
Enterprise Funds	607,800	630,422	22,622
<b>Fiduciary:</b>			
Expendable Trust Funds	2,500	2,548	48
Agency	207,362	251,829	44,467
Total (Memorandum Only)	<u>\$17,674,246</u>	<u>\$18,006,814</u>	<u>\$332,568</u>

*The notes to the financial statements are an integral part of this statement.*

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Fund Types/Fund</b>	<b>Prior Year Carryover Appropriations</b>	<b>2004 Appropriations</b>	<b>Total</b>
<b>Governmental:</b>			
General Fund	\$117,929	\$14,183,580	\$14,301,509
Special Revenue Funds	26,198	2,805,608	2,831,806
Debt Service Funds		1,693,128	1,693,128
<b>Proprietary:</b>			
Enterprise Funds	8,281	739,590	747,871
<b>Fiduciary:</b>			
Expendable Trust Funds	170	6,793	6,963
Agency	6,785	344,877	351,662
Total (Memorandum Only)	<u>\$159,363</u>	<u>\$19,773,576</u>	<u>\$19,932,939</u>

*The notes to the financial statements are an integral part of this statement.*

<u>Actual 2004 Disbursements</u>	<u>Encumbrances Outstanding At June 30, 2004</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$12,985,307	\$930,549	\$13,915,856	\$385,653
2,698,480	26,983	2,725,463	106,343
1,679,001		1,679,001	14,127
695,778	6,725	702,503	45,368
2,598	28	2,626	4,337
<u>253,187</u>	<u>2,903</u>	<u>256,090</u>	<u>95,572</u>
<u><u>\$18,314,351</u></u>	<u><u>\$967,188</u></u>	<u><u>\$19,281,539</u></u>	<u><u>\$651,400</u></u>

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**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

Benjamin Logan Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1969 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 225 square miles, 201 square miles in Logan County, 18 square miles in Hardin County, and six square miles in Union County. It is located in Logan County, and includes the Villages of Belle Center, Rushsylvania, Valley High, Middleburg, West Mansfield, Zanesfield, and East Liberty. The School District is the 280th largest in the State of Ohio (among 612 school districts) in terms of enrollment. The School District is staffed by 94 non-certificated employees, 126 certificated full-time teaching personnel who provide services to 1,997 students and other community members. The School District currently operates three instructional buildings and a garage building.

**Reporting Entity:**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Benjamin Logan Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with three significant types of organizations, which includes four jointly governed organizations, two insurance purchasing pools, and a related organization. These organizations include the Western Ohio Computer Organization, the Ohio Hi-Point Joint Vocational School District, the West Central Ohio Special Education Regional Resource Center, Logan County Education Foundation, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Logan County Schools Benefit Plan Association, and the Belle Center Free Public Library. These organizations are presented in Notes 10, 11, and 12 to the general purpose financial statements.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principals. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Fund Accounting**

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording receipts and disbursements in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's governmental fund types:

**General Fund** - The General Fund is the operating fund of the School 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 School 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 expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund** - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition of equipment and for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Proprietary Fund Type:**

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

**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 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.

**3. Fiduciary Fund Types:**

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

**C. Budgetary Process**

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 appropriations 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 primary level of budgetary control is at the fund, special cost center level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**1. Tax Budget:**

With the passage of House Bill #129 (Spring 2001), a county budget commission may waive the submission of a subdivision's annual tax budget. On December 9, 2002, the Logan County Budget Commission adopted a resolution waiving the requirement for the adoption of a tax budget for fiscal year 2003 and all future fiscal years for all school districts within Logan County. In lieu of a full tax budget, the Commission will require the school districts to submit a copy of the five-year forecast, including notes to the forecast, and information regarding outstanding debt annually. This waiver of the tax budget does not change any other financial reporting requirements.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Estimated Resources:**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund.

Prior to June 30, the School 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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

**3. 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, special cost center level of expenditures, which is the legal level 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 School District.

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total special cost center appropriations within a fund 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.

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.

**4. 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 in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.



**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Lapsing of Appropriations:**

At the close of each fiscal 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 Investments**

To improve cash management, all cash received by the School District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District accounting records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon School District policy.

**E. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets

**F. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

**G. 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.

**H. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**3. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

1. United States treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

- 6. The State Treasurer's investment pool (STAR Ohio)
- 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 monies available for investment at any one time.
- 8. Under certain circumstances, corporate 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 School District and must be purchased with the expectation that it will be held to maturity. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

As of June 30, 2004, the School District had \$50 in undeposited cash on hand, which is included in the fund balance.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

**Deposits:** At June 30, 2004, the carrying amount of the School District's deposits was \$6,391,855 and the bank balance was \$6,705,838. Of the bank balance, \$1,427,428 was insured with collateral specifically pledged in the School District's name; \$300,000 was covered by federal depository insurance; and, \$4,978,410 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

The School District's investment STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified because the investment is not evidenced by securities that exist in physical or book entry form.

<u>Risk Investments</u>	<u>Category</u>	<u>Carrying Value/ Fair Value</u>
Star Ohio	N/A	\$57,629

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the School District operates on a fiscal year from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied April 1 on the assessed value listed as of the prior January 1, the lien date.

Public utility property taxes attached as a lien on December 31 of the prior fiscal year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due in February with the remainder payable in July. Under certain circumstances, State statute permits earlier or later 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 semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004 are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The School District receives property taxes from Logan, Hardin and Union County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	<b>2003 Second-Half Collections</b>		<b>2004 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other RE	\$170,439,170	68%	175,387,830	71%
Public Utility	10,860,090	4%	10,944,840	5%
Tangible Personal Property	67,755,920	28%	60,082,810	24%
Total Assessed Value	<u>\$249,055,180</u>	<u>100%</u>	<u>\$246,415,480</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$41.65		\$41.65	

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. DEBT OBLIGATIONS**

**A. Debt Obligations**

Debt obligations of the School District at June 30, 2004, consisted of the following:

	<b>Principal Outstanding 06/30/03</b>	<b>Additions</b>	<b>Reductions</b>	<b>Principal Outstanding 06/30/04</b>
1994 New School Building	\$5,240,000		\$630,000	\$4,610,000
1997 Elementary and Middle School Building	1,355,000		45,000	1,310,000
Capital Appreciation Bonds	54,113			54,113
1993 New School Building	1,700,000		590,000	1,110,000
Capital Appreciation Bonds	284,108			284,108
Energy Conservation Loan	162,004		17,515	144,489
Long-Term Debt	\$8,795,225		\$1,282,515	\$7,512,710
Capital Lease	2,239		685	1,554
Total Long-Term Obligations	<u>\$8,797,464</u>		<u>\$1,283,200</u>	<u>\$7,514,264</u>

**1997 Elementary and Middle School Improvement General Obligation Bonds**

Elementary & Middle School General Obligation Bonds - On December 1, 1997, the School District issued \$1,499,113 in voted general obligation bonds for new elementary and middle schools. The bonds were issued for an eighteen year period with final maturity at December 1, 2015. The bonds will be retired from the debt service fund. The bond issue consists of \$745,000 Current Interest Serial Bonds at interest rates ranging from 4.1 to 4.75%, \$54,113 Capital Appreciation Bonds with interest rates at approximately 14.5% (or the rate that, when applied to the original principal amount, compounded semiannually results in maturity amount) for an approximate yield to maturity of 5 to 5.1%, and \$700,000 Current Interest Term Bonds with an interest rate of 5% and yield rate of 5.1%.

The Capital Appreciation Bonds will mature in fiscal years 2010 and 2011. The maturity amount of the bonds is \$355,000.

The Current Interest Serial Bonds will bear interest, payable on June 1 and December 1 of each year, beginning December 1, 1998, until maturity or earlier redemption. The Capital Appreciation bonds will accrue interest, compounded semiannually on June 1 and December 1, from the date of their issuance, but the interest will be payable only at maturity.

**Mandatory Sinking Fund Redemption**

The Term Bonds maturing on December 1, 2015, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<b>Year</b>	<b>Principal Amount To Be Redeemed</b>
2012	\$190,000
2013	195,000
2014	205,000

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. DEBT OBLIGATIONS (Continued)**

The remaining principal amount of such Current Interest Bonds (\$110,000) will mature at stated maturity on December 1, 2015.

**Optional Redemption**

Interest on the Current Interest Serial Bonds maturing on or after December 1, 2008, are also subject to prior redemption on or after December 1, 2007, by and at the sole option of the Board, either in whole or in part on any interest payment date and in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

Redemption Period	Redemption Price
December 1, 2007 through November 30, 2008	101%
December 1, 2008 and thereafter	100%

**1994 New School General Obligation Bonds**

New School General Obligation Bonds - On January 1, 1994, the School District issued \$9,985,000 in voted general obligation bonds for the purpose of constructing a new elementary and middle school. The bonds will be retired from the debt service fund. The Bond issue consists of \$6,725,000 Serial Bonds with interest rates ranging from 2.35% to 4.7% and, \$3,260,000 Term Bonds at 5.2% interest.

The Serial Bonds will bear interest, payable on June 1 and December 1 of each year, beginning December 1, 1994, until maturity or earlier redemption.

The bonds maturing on or after December 1, 2004, are subject to optional redemption by the School District prior to maturity, beginning December 1, 2004, and the Term Bonds are subject to mandatory prior redemption.

**Mandatory Sinking Fund Redemption**

The Term Bonds maturing on December 1, 2010, are subject to mandatory sinking fund redemption in part by lot (with the balance of \$520,000 to be paid at stated maturity on December 1, 2010) at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount To Be Redeemed
2006	\$720,000
2007	710,000
2008	675,000
2009	635,000

Term Bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. DEBT OBLIGATIONS (Continued)**

**Optional Redemption**

The Bonds maturing on or after December 1, 2004, are also subject to prior redemption on or after December 1, 2004, by and at the sole option of the Board, either in whole or in part on any interest payment date and in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
December 1, 2004 through November 30, 2004	102%
December 1, 2004 through November 30, 2005	101%
December 1, 2005 and thereafter	100%

**1993 New School General Obligation Bonds**

New School General Obligation Bonds - On April 15, 1993, the School District issued \$6,334,108 in voted general obligation bonds for the construction of a new high school building. The bonds were issued for a fifteen-year period with final maturity at December 1, 2008. The bond issue consists of \$4,940,000 of Current Interest Serial Bonds with interest rates ranging from 2.5 to 15% with yield rates of 2.5 to 5%, and \$284,107 Capital Appreciation bonds with interest rates of 15.8% (or the rate that, when applied to the original principal amount, compounded semi-annually results in the maturity amount) for an approximate yield to maturity of 5.6 to 5.8%, and \$1,110,000 Current Interest Term Bonds with an interest rate of 5.65%. The bonds will be retired from the debt service fund.

The Capital Appreciation Bonds will mature in fiscal years 2004 to 2006. The maturity amount of the bonds is \$1,905,000.

The Current Interest Serial Bonds will bear interest, payable on June 1 and December 1 of each year, beginning December 1, 2008, until maturity or earlier redemption. The Capital Appreciation bonds will accrue interest, compounded semiannually on June 1 and December 1, from the date of their issuance, but the interest will be payable only at maturity.

**Mandatory Sinking Fund Redemption**

The Current Interest Bonds maturing on December 1, 2008 (Current Interest Term Bonds) are subject to mandatory sinking fund redemption to occur on December 1, 2007, in the principal amount of \$645,000 (with the balance of \$465,000 to be paid at stated maturity on December 1, 2008) at a redemption price equal to 100% of the principal amount redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory requirement.

**Optional Redemption**

The Current Interest Term Bonds maturing on or after December 1, 2008, are also subject to prior redemption on any date on or after December 1, 2004, by and at the sole option of the Board, either in whole or in part on any interest payment date and in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. DEBT OBLIGATIONS (Continued)**

<u>Redemption Period</u>	<u>Redemption Price</u>
December 1, 2004 through November 30, 2004	102%
December 1, 2004 through November 30, 2005	101%
December 1, 2005 and thereafter	100%

The School District's voted legal debt margin was \$15,002,904 with an unvoted debt margin of \$246,415 at June 30, 2004.

Principal and interest requirements to retire general obligation debt at June 30, 2004, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	847,290	871,808	1,719,098
2006	873,887	855,906	1,729,793
2007	907,516	833,810	1,741,326
2008	1,497,422	213,789	1,711,211
2009	1,288,858	139,319	1,428,177
2010-2014	1,782,738	519,839	2,302,577
2015-2016	315,000	13,375	328,375
Total	<u>\$7,512,711</u>	<u>\$3,447,846</u>	<u>\$10,960,557</u>

**6. CAPITALIZED LEASES – LESSEE DISCLOSURE**

The School District has entered into a capitalized lease for the acquisition of a mail machine.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>Mail Machine</u>
2005	\$ 852
2006	852
Total Lease Payments	\$1,704
Less: Amount Representing Interest	<u>(150)</u>
Present Value of Net Minimum Lease Payments	<u>\$1,554</u>



**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District maintains comprehensive commercial insurance coverage for, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial coverage in any of the past three fiscal years.

The School District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$36,399,132 and a 90 percent coinsurance.

The School District's fleet insurance has a liability limit of \$1,000,000 and \$5,000 for medical payments. The policy includes a \$500 deductible for comprehensive and collision coverage.

The School District also has a \$5,000,000 Excess Liability policy (Umbrella) over all the underlying liability for a total limit of \$6,000,000.

The School District's health, dental, vision and life insurance is provided through Anthem Blue Cross Blue Shield, the insurance provider for the Logan County Schools Benefit Plan Association.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002, were \$174,990, \$121,483 and \$88,459, respectively; 100 percent has been contributed for the years 2004, 2003 and 2002.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$828,296, \$687,002, and \$534,898, respectively; 100 percent has been contributed for the years 2004, 2003 and 2002.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, all five members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS**

The School 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.

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 law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$63,715.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$2.800 million at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$456,000,000, and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal 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 fiscal 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.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$123,794 for fiscal year 2004. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 64,251 participants currently receiving health care benefits.

**10. JOINTLY GOVERNED ORGANIZATIONS**

**Western Ohio Computer Organization** - The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Hardin, Auglaize, Shelby, Logan, Miami and Champaign Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. This organization is governed by a board of directors consisting of 14 members: the superintendent of the fiscal agent Shelby County Educational Service Center, two superintendents from each county that is represented, one treasurer representative from the school districts, student services representative from the school districts, and a non-voting independent district representative. The degree of control exercised by any participating school district is limited to its representation on the board. Financial information can be obtained from Sonny Ivey, who serves as director, at 129 East Court Street, Sidney, Ohio 45365.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Ohio Hi-Point Joint Vocational School** - The Ohio Hi-Point Joint Vocational School ("JVS") is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, who serves as Treasurer, 2280 State Route 540, Bellefontaine, Ohio 43311.

**West Central Ohio Special Education Regional Resource Center** - The West Central Ohio Special Education Regional Resource Center ("SERRC") is a jointly-governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1211 West Lima Street, Suite A, Kenton, Ohio 43326.

**Logan County Education Foundation** - The Logan County Education Foundation was established to secure and distribute contributions from individuals, corporations, and foundations for the benefit of students within the county. The Foundation promotes, sponsors, and encourages the pursuit of excellence in education for students. The Foundation is managed by a Board of Trustees composed of six trustees from each school district. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District, and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the three local school districts and the Bellefontaine City School District Superintendent representing the city school district. Financial information can be obtained by contacting Eric Adelsberger, who serves as Financial Advisor, 2626 County Road 18, Bellefontaine, Ohio 43311.

**11. RELATED ORGANIZATION**

**Belle Center Free Public Library** - The Belle Center Free Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Benjamin Logan Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Belle Center Free Public Library, Anita Krummrey, Clerk/Treasurer, at 103 South Elizabeth Street, PO Box 336, Belle Center, Ohio 44310.

**12. INSURANCE PURCHASING POOLS**

**Ohio School Boards Association Workers' Compensation Group Rating Plan** - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**12. INSURANCE PURCHASING POOLS (Continued)**

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**Logan County Schools Benefit Plan Association** – The School District participates in the Logan County Schools Benefit Plan Association (the Plan); a public entity shared risk pool consisting of three local school districts, one joint vocational school district and the Logan County Educational Service Center. The School District pays monthly premiums to the Plan for employee medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**13. STATUTORY RESERVES**

The School District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set-Aside Cash Balance as of June 30, 2003	\$(130,272)	\$ 0	\$73,510
Carryover	0		0
Required Set-Aside	311,876	311,876	0
Current year BWC refunds			78
Qualifying Expenditures	<u>(521,835)</u>	<u>(753,398)</u>	<u>0</u>
Cash Balance Carried Forward to Subsequent Year	<u>\$(340,231)</u>	<u>\$(441,522)</u>	<u>\$73,588</u>

The School District had qualifying disbursements during the year that reduced the textbooks and capital acquisition set-aside amounts to below zero. The School District may, and has chosen to carry forward the excess amount for the textbooks and capital acquisition set-asides to offset set-aside requirements of future years.

In prior years, the School District was also required to set aside money for budget stabilization. S.B. 345 eliminated the requirement for this reserve, however, the School District has continued to maintain and contribute to a budget stabilization reserve established under Ohio Rev. Code Section 5705.13.

**14. SIGNIFICANT CONTRACTUAL COMMITMENTS**

At June 30, 2004, the School District had the following significant contractual commitments:

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Balance</u>
HBI Electric	New Building Construction	\$71,860	\$61,747
Smith Boughn Mechanical Services	New Building Construction	97,400	36,691
Slagel Mechanical Contractors	New Building Construction	46,488	14,720
Schnippel Construction	New Building Construction	678,000	469,275
SecureCom	New Phone System	99,812	99,812
TOTAL		\$993,560	\$682,245

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

**C. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550		\$48,823		\$48,823
National School Lunch Program		10.555	\$88,939		\$88,939	
Total U. S. Department of Agriculture - Nutrition Cluster			88,939	48,823	88,939	48,823
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Eisenhower Professional Development State Grants	MS-S1 01	84.281	(842)			
Safe and Drug-Free Schools and Communities State Grants	DR-S1 03 DR-S1 04	84.186 84.186	583 4,873		8,190	
Total Safe and Drug-Free Schools and Communities State Grants			5,456		8,190	
Special Education Grants to States	6B-SF 03 P 6B-SF 04 P	84.027 84.027	132,786 103,457		115,148 208,448	
Total Special Education Grants to States			236,243		323,596	
Title 1 Grants to Local Educational Agencies	C1-S1 03 C1-S1 04	84.010 84.010	43,455 152,956		36,473 166,158	
Total Title 1 Grants to Local Educational Agencies			196,411		202,631	
Innovative Educational Program Strategies	C2-S1 03 C2-S1 04	84.298 84.298	(1,990) 10,296		1,915 9,070	
Total Innovative Educational Program Strategies			8,306		10,985	
Education Technology State Grants	TJ-S1 03 TJ-S1 04	84.318 84.318	(412) 989		259	
Total Education Technology State Grants			577		259	
Improving Teacher Quality State Grants	TR-S1 03 TR-S1 04	84.367 84.367	12,496 66,333		15,454 89,617	
Total Improving Teacher Quality State Grants			78,829		105,071	
Learn and Serve America School and Community Based Programs	SV-S2 03 SV-S1 04	94.004 94.004	6,336		727 14,844	
Total Learn and Serve America School and Community Based Programs			6,336		15,571	
Total U. S. Department of Education			531,316		666,303	
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$620,255</u>	<u>\$48,823</u>	<u>\$755,242</u>	<u>\$48,823</u>

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the "Schedule") summarizes activity of the School 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, 2004, the School District had no significant food commodities in inventory.

**NOTE C - NEGATIVE RECEIPTS**

The negative receipts in the Eisenhower Professional Development State Grant were a result of a refund of money to the Ohio Department of Education after the period of availability.

The negative receipts in the Innovative Educational Program Strategies, Innovative Educational Program Strategies, and Education Technology State Grants were a result of transfers between special cost centers due to Ohio Department of Education administrative action changing the methodology for carryover periods.





## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Benjamin Logan Local School District  
Logan County  
4740 County Road 26  
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the financial statements of Benjamin Logan Local School District, Logan County, (the "School District"), as of and for the year ended June 30, 2004, and have issued our report thereon dated December 2, 2004, wherein we noted that the School District has prepared its financial statements on the basis of accounting previously prescribed by the Auditor of State which is a comprehensive basis of accounting other than the accounting principles generally accepted in the United States of America. Except as discussed above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the School 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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. We also noted certain immaterial instances of noncompliance that we have reported to the School District's management in a separate letter dated December 2, 2004.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 2, 2004.

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Benjamin Logan Local School District  
Logan County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

December 2, 2004



**Auditor of State  
Betty Montgomery**

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

Benjamin Logan Local School District  
Logan County  
4740 County Road 26  
Bellefontaine, Ohio 43311

To the Board of Education:

**Compliance**

We have audited the compliance of the Benjamin Logan Local School District (the "School 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, 2004. The School 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 School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2004.

### **Internal Control Over Compliance**

The management of the School 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 School 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. We noted a certain matter involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings as item 2004-003.

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. Our consideration of the internal control over compliance 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.

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



**Betty Montgomery**  
Auditor of State

December 2, 2004

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.027: Special Education Grants to States
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 500,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2004-001**

**Noncompliance**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Admin. Code Section 117-2-03 (B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the School District should prepare their financial statements according to generally accepted accounting principles.

**FINDING NUMBER 2004-002**

**Noncompliance**

**Ohio Rev. Code Section 3313.46** states when a Board of Education determines to build, repair, enlarge, improve or demolish any school building with a cost in excess of \$25,000, the Board is required to prepare plans and specifications, advertise for bids once a week for at least two consecutive weeks in a newspaper of general circulation in the district prior to the date specified by the Board for receiving bids, open the bids at the time and place specified by the Board in the advertisement for bids, and award the contract to the lowest responsible bidder. Also, the contract should be between the Board and the bidders. The Board is required to approve and retain estimates and make them available to the Auditor of State upon request. The requirements of this Ohio Rev. Code Section do not apply when: 1) there is an "urgent necessity"; and 2) in certain circumstances of cooperative purchasing.

The requirements of this Section do not apply to: acquisition of educational materials used for teaching; any item which the Board, by a two-thirds vote, determines is available and can be obtained only through a single source; upon declaration of the Board, by a two-thirds vote, to exclude energy conservation measures; or acquisition of computer software or hardware for instructional purposes pursuant to Section 3313.37 (B) (5).

The School District did not bid the following projects:

<u>Project</u>	<u>Amount</u>
Sealing and bidding	\$34,721
Concession stand materials	\$29,246
Telephone system	\$99,812
Greenhouse	\$46,310

The School District should implement internal control procedures to help ensure bidding procedures are followed as required by this Ohio Revised Code Section. In addition, the School District should review the requirements of this Ohio Rev. Code Section.

**3. FINDINGS FOR FEDERAL AWARDS**

**FINDING NUMBER 2004-003**

**Reportable Condition**

**Review and Approval of Grant Expenditures**

To reduce the risk that an expenditure may not meet applicable compliance requirements, the School District required the Superintendent and/or Grant Coordinator to review and approve all expenditures made from the federal grant Special Education Grants to States (CFDA #84.027). Only one out of thirty-nine expenditures from this grant were approved by one of these two individuals.

The lack of approval for expenditures by someone with knowledge of the grant requirements could result in the illegal expenditure of grant money. This could result in federal questioned costs and/or the loss of federal funding to the School District.

The School District should implement monitoring procedures to help assure that both payroll and non-payroll federal grant expenditures are being reviewed and approved by someone with knowledge of the grant requirements. Evidence of the review and approval of federal grant expenditures should be maintained by the School District.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2003-001	ORC Sec. 117.38 and OAC Sec. 117-2-03(B) - Requirement to present financial statements in accordance with Generally Accepted Accounting Principles	No	Repeated as finding number 2004-001





**Auditor of State  
Betty Montgomery**

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**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 30, 2004**