



**Auditor of State  
Betty Montgomery**



**LOGAN ELM LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Logan Elm Local School District, Pickaway County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Logan Elm Local School District, Pickaway County, Ohio, as of June 30, 2003, and the respective changes in financial position and the cash flows, where applicable, and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



**Betty Montgomery**  
**Auditor of State**

February 9, 2004

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

The discussion and analysis of the Logan Elm Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities decreased \$738,610 which represents a 8.16% decrease from 2002.
- General revenues accounted for \$14,522,508 in revenue or 82.14% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,158,185 or 17.86% of total revenues of \$17,680,693.
- The District had \$18,419,303 in expenses related to governmental activities; only \$3,158,185 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,522,508 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$14,463,734 in revenues and \$15,658,980 in expenditures. During fiscal 2003, the general fund's fund balance decreased \$1,221,415 from \$4,625,378 to \$3,403,963.

**Using these Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

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

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 15. Fund financial reports provide detailed information about the District's major and other governmental funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

***Reporting the District's Fiduciary Responsibilities***

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

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

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

	<b>Net Assets</b>
	Governmental Activities <u>2003</u>
<b><u>Assets</u></b>	
Current and other assets	\$ 13,142,553
Capital assets	<u>5,213,308</u>
Total assets	<u>18,355,861</u>
<b><u>Liabilities</u></b>	
Current liabilities	8,945,946
Long-term liabilities	<u>1,102,226</u>
Total liabilities	<u>10,048,172</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	5,213,308
Restricted	871,521
Unrestricted	<u>2,222,860</u>
Total net assets	<u>\$ 8,307,689</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$8,307,689. Of this total, \$2,222,860 is unrestricted in use.

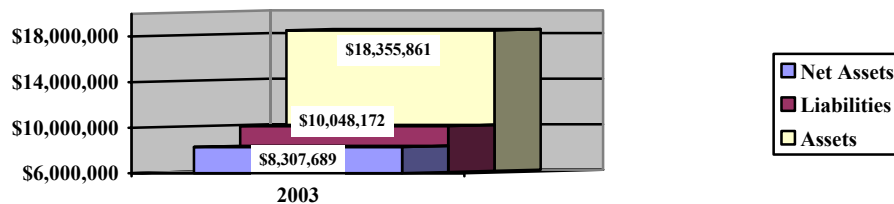
**LOGAN ELM LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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At year-end, capital assets represented 28.40% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2003, was \$5,213,308. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$871,521, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,222,860 may be used to meet the District's ongoing obligations to the students and creditors.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

**Change in Net Assets**

	Governmental Activities <u>2003</u>
<b>Revenues</b>	
Program revenues:	
Charges for services and sales	\$ 957,659
Operating grants and contributions	1,664,059
Capital grants and contributions	536,467
General revenues:	
Property taxes	6,485,318
Grants and entitlements	7,838,593
Investment earnings	123,801
Other	<u>74,796</u>
 Total revenues	 <u>\$ 17,680,693</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

**Change in Net Assets**

	Governmental Activities <u>2003</u>
<b><u>Expenses</u></b>	
Program expenses:	
Instruction:	
Regular	\$ 8,009,896
Special	1,806,863
Vocational	57,463
Support services:	
Pupil	484,598
Instructional staff	1,089,873
Board of education	176,916
Administration	1,723,534
Fiscal	331,069
Business	6,233
Operations and maintenance	1,845,134
Pupil transportation	1,295,015
Central	300,430
Food service operations	797,344
Extracurricular activities	494,922
Interest and fiscal charges	<u>13</u>
Total expenses	<u>18,419,303</u>
Decrease in net assets	<u>\$ (738,610)</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased by \$738,610. Total governmental expenses of \$18,419,303 were offset by program revenues of \$3,158,185 and general revenues of \$14,522,508. Program revenues supported 17.15% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 81.01% of total governmental revenue.

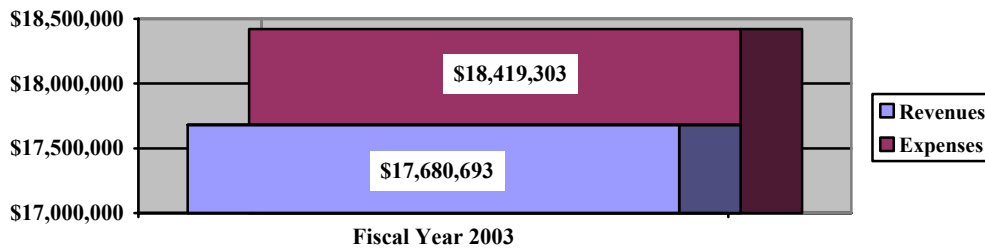
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,874,222 or 53.61% of total governmental expenses for fiscal 2003.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

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

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

**Governmental Activities**

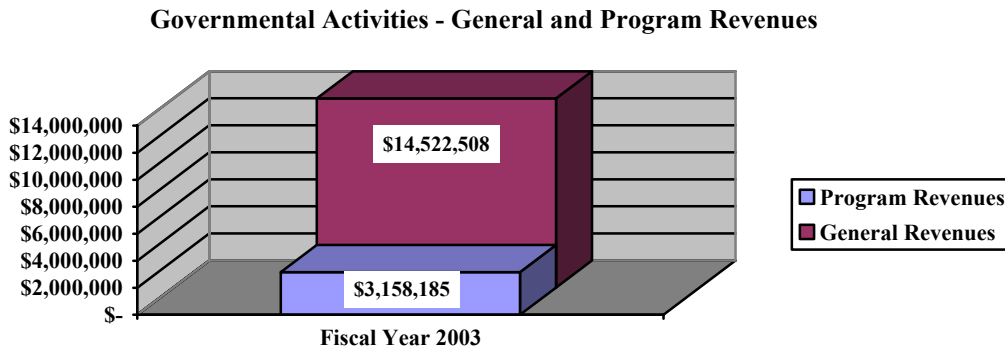
	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
<b>Program expenses</b>		
Instruction:		
Regular	\$ 8,009,896	\$ 6,929,884
Special	1,806,863	1,260,620
Vocational	57,463	57,463
Support services:		
Pupil	484,598	434,238
Instructional staff	1,089,873	673,195
Board of education	176,916	176,916
Administration	1,723,534	1,651,642
Fiscal	331,069	331,069
Business	6,233	6,233
Operations and maintenance	1,845,134	1,839,848
Pupil transportation	1,295,015	1,262,836
Central	300,430	259,450
Food service operations	797,344	76,017
Extracurricular activities	494,922	301,694
Interest and fiscal charges	<u>13</u>	<u>13</u>
<b>Total expenses</b>	<b><u>\$ 18,419,303</u></b>	<b><u>\$ 15,261,118</u></b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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The dependence upon tax and other general revenues for governmental activities is apparent, 83.53% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.85%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2003.



**The District's Funds**

The District's governmental funds (as presented on page 17) reported a combined fund balance of \$3,896,926, which is lower than last year's total of \$5,095,347. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	Fund Balance June 30, 2003	(Restated) Fund Balance June 30, 2002	Increase (Decrease)
General	\$3,403,963	\$4,625,378	\$ (1,221,415)
Other Governmental	492,963	469,969	22,994
<b>Total</b>	<b><u>\$3,896,926</u></b>	<b><u>\$5,095,347</u></b>	<b><u>\$ (1,198,421)</u></b>

**General Fund**

The District's general fund balance decreased by \$1,221,415. The decrease in fund balance can be attributed to a decrease in property taxes and an increase in expenditures throughout all functions. The amount of tax revenue available for advance from 2002 to 2003 decreased dramatically, resulting in lower tax revenue in 2003 as compared to 2002. District expenditures are driven primarily by employee salaries and benefits. For 2003, in a continuing effort to meet state and federal mandates and provide competitive compensation, four new positions were added, all staff members received a 4.5% raise, and health insurance premiums increased 15%. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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	2003 <u>Amount</u>	Restated 2002 <u>Amount</u>	Increase (Decrease) <u></u>	Percentage Change <u></u>
<b><u>Revenues</u></b>				
Taxes	\$ 6,297,053	\$ 6,981,063	\$ (684,010)	(9.80) %
Tuition	53,908	94,013	(40,105)	(42.66) %
Earnings on investments	102,094	199,521	(97,427)	(48.83) %
Intergovernmental	7,801,023	7,571,632	229,391	3.03 %
Other revenues	<u>209,656</u>	<u>116,746</u>	<u>92,910</u>	79.58 %
 Total	 <u>\$ 14,463,734</u>	 <u>\$ 14,962,975</u>	 <u>\$ (499,241)</u>	 (3.34) %
 <b><u>Expenditures</u></b>				
Instruction	\$ 8,958,711	\$ 8,285,805	672,906	8.12 %
Support services	6,384,796	5,751,259	633,537	11.02 %
Extracurricular activities	314,799	282,674	32,125	11.36 %
Facilities acquisition and construction	-	43,842	(43,842)	(100.00) %
Debt service	<u>674</u>	<u>-</u>	<u>674</u>	100.00 %
 Total	 <u>\$ 15,658,980</u>	 <u>\$ 14,363,580</u>	 <u>\$ 1,295,400</u>	 9.02 %

***General Fund Budgeting Highlights***

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

During the course of fiscal 2003, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$14,935,000, which approximates the original budgeted revenues estimate of \$14,950,000. Actual revenues for fiscal 2003 were \$15,417,928.

General fund original appropriations of \$15,860,529 were increased to \$16,438,109 in the final budget. These increases were approved to cover increases in the District's property, fleet and liability insurance and to change the District's internal budget cycle for maintenance and transportation. The actual budget basis expenditures fiscal year 2003 totaled \$16,038,301, which were \$399,808 lower than the final budget appropriations. This favorable variance was spread throughout all functions.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2003, the District had \$5,213,308 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2003 balances compared to 2002:

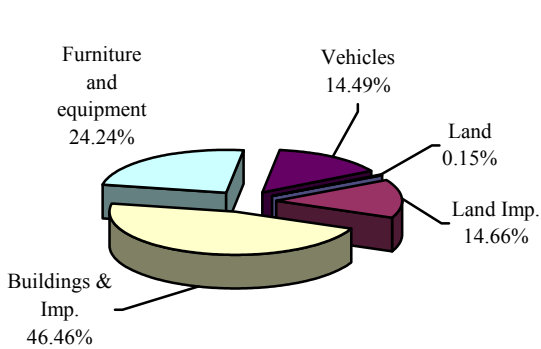
**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2003	2002
Land	\$ 8,024	\$ 8,024
Land improvements	764,292	698,902
Building and improvements	2,421,850	2,417,941
Furniture and equipment	1,263,623	1,255,388
Vehicles	755,519	708,432
<b>Total</b>	<b>\$ 5,213,308</b>	<b>\$ 5,088,687</b>

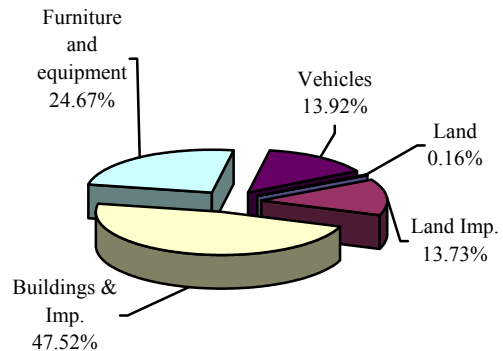
The overall increase in capital assets of \$124,621 is primarily due to capital outlays of \$436,431 exceeding depreciation expense in the fiscal year.

The graphs below present the District's capital assets for fiscal 2003 and fiscal 2002.

**Capital Assets - Governmental Activities  
2003**



**Capital Assets - Governmental Activities  
2002**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

***Debt Administration***

At June 30, 2003, the District had no debt obligations outstanding.

**Current Financial Related Activities**

Due to the commitment of the Board and Administration, the District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the need for additional taxes. The District has not asked local taxpayers for additional operating money since 1993. The general fund balance was \$3,403,963 at June 30, 2003.

Several significant legislative and judicial actions have occurred that will have a major impact on our District and the current fund balance. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." The state has yet to develop, and may not have the ability to fully fund, a constitutional educational system.

AM. Sub. HB - 95, the budget approved by the state for Fiscal Years 2004 and 2005, reinforces the belief that the state cannot fully fund an "adequate" or "equitable" system. A major concern is the added fear that the state may have to reduce their funds for a second year due to lower than projected revenues, which will create several challenges for the District. In addition the legislature is eliminating or phasing out portions of the local tax base.

The local tax base has also been deteriorating due to downsizing measures in local industry. Over the last five years, the District's personal tangible valuation has decreased 33%.

Due to insufficient growth in state funding and existing property tax levies, the District will be asking local taxpayers for additional operating money in 2004. Regardless of what happens, the District will continue its commitment to operate an effective and efficient educational facility.

**Contacting the District's Financial Management**

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



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

STATEMENT OF NET ASSETS  
JUNE 30, 2003

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 4,923,354
Investments . . . . .	104,300
Receivables:	
Property taxes . . . . .	7,518,947
Accounts . . . . .	14,519
Intergovernmental . . . . .	550,376
Accrued interest . . . . .	2,163
Prepayments. . . . .	11,867
Materials and supplies inventory . . . . .	17,027
Capital assets:	
Land . . . . .	8,024
Depreciable capital assets, net . . . . .	5,205,284
Total capital assets . . . . .	5,213,308
 Total assets . . . . .	 18,355,861
 <b>Liabilities:</b>	
Accounts payable. . . . .	58,264
Accrued wages and benefits . . . . .	1,585,169
Pension obligation payable. . . . .	399,982
Intergovernmental payable . . . . .	19,260
Deferred revenue . . . . .	6,678,214
Claims payable . . . . .	205,057
Long-term liabilities:	
Due within one year. . . . .	114,052
Due in more than one year . . . . .	988,174
 Total liabilities . . . . .	 10,048,172
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	5,213,308
Restricted for:	
Capital projects . . . . .	439,784
Permanent fund:	
Expendable . . . . .	1,897
Nonexpendable . . . . .	104,300
Other purposes . . . . .	325,540
Unrestricted. . . . .	2,222,860
 Total net assets . . . . .	 \$ 8,307,689

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 8,009,896	\$ 134,561	\$ 408,984	\$ 536,467
Special . . . . .	1,806,863	-	546,243	-
Vocational . . . . .	57,463	-	-	-
Support services:				
Pupil . . . . .	484,598	-	50,360	-
Instructional staff . . . . .	1,089,873	9,453	407,225	-
Board of education . . . . .	176,916	-	-	-
Administration . . . . .	1,723,534	59,242	12,650	-
Fiscal . . . . .	331,069	-	-	-
Business . . . . .	6,233	-	-	-
Operations and maintenance . . . . .	1,845,134	-	5,286	-
Pupil transportation . . . . .	1,295,015	31,916	263	-
Central . . . . .	300,430	-	40,980	-
Food service operations . . . . .	797,344	529,259	192,068	-
Extracurricular activities . . . . .	494,922	193,228	-	-
Interest and fiscal charges . . . . .	13	-	-	-
Totals . . . . .	<u>\$ 18,419,303</u>	<u>\$ 957,659</u>	<u>\$ 1,664,059</u>	<u>\$ 536,467</u>
 <b>General Revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				6,298,136
Capital projects . . . . .				187,182
Grants and entitlements not restricted to specific programs . . . . .				7,838,593
Investment earnings . . . . .				123,801
Miscellaneous . . . . .				74,796
Total general revenues . . . . .				<u>14,522,508</u>
Change in net assets . . . . .				(738,610)
<b>Net assets, July 1 . . . . .</b>				<u>9,046,299</u>
<b>Net assets, June 30 . . . . .</b>				<u>\$ 8,307,689</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2003

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 4,168,387	\$ 526,265	\$ 4,694,652
Investments . . . . .	-	104,300	104,300
Receivables:			
Property taxes . . . . .	7,317,032	201,915	7,518,947
Accounts . . . . .	12,473	2,046	14,519
Intergovernmental . . . . .	231	550,145	550,376
Accrued interest . . . . .	2,034	129	2,163
Interfund loans . . . . .	86,379	-	86,379
Materials and supplies inventory . . . . .	-	17,027	17,027
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	170,623	-	170,623
<b>Total assets . . . . .</b>	<b>\$ 11,757,159</b>	<b>\$ 1,401,827</b>	<b>\$ 13,158,986</b>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 43,134	\$ 14,422	\$ 57,556
Accrued wages and benefits . . . . .	1,432,062	153,107	1,585,169
Compensated absences payable . . . . .	28,659	-	28,659
Pension obligation payable . . . . .	218,505	24,121	242,626
Intergovernmental payable . . . . .	17,705	1,555	19,260
Interfund loan payable . . . . .	-	86,379	86,379
Deferred revenue . . . . .	6,613,131	629,280	7,242,411
<b>Total liabilities . . . . .</b>	<b>8,353,196</b>	<b>908,864</b>	<b>9,262,060</b>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	341,781	175,748	517,529
Reserved for materials and supplies inventory . . . . .	-	17,027	17,027
Reserved for future appropriation . . . . .	703,901	20,549	724,450
Reserved for budget stabilization . . . . .	170,623	-	170,623
Reserved for unclaimed monies . . . . .	977	-	977
Reserved for library purposes . . . . .	-	104,300	104,300
Unreserved, undesignated, reported in:			
General fund . . . . .	2,186,681	-	2,186,681
Special revenue funds . . . . .	-	153,027	153,027
Capital projects funds . . . . .	-	21,059	21,059
Permanent fund . . . . .	-	1,253	1,253
<b>Total fund balances . . . . .</b>	<b>3,403,963</b>	<b>492,963</b>	<b>3,896,926</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 11,757,159</b>	<b>\$ 1,401,827</b>	<b>\$ 13,158,986</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2003

<b>Total governmental fund balances</b>		<b>\$ 3,896,926</b>
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,213,308
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 116,283	
Grants	<u>447,914</u>	
Total		564,197
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(135,819)
Long-term liabilities are not due and payable in the current period and are therefore are not reported in the funds.		
Compensated absences	1,073,567	
Pension obligation payable	<u>157,356</u>	
Total		<u>(1,230,923)</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 8,307,689</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 6,297,053	\$ 187,182	\$ 6,484,235
Tuition . . . . .	53,908	-	53,908
Charges for services . . . . .	-	529,259	529,259
Transportation fees . . . . .	31,916	-	31,916
Earnings on investments . . . . .	102,094	5,191	107,285
Extracurricular . . . . .	-	261,375	261,375
Classroom materials and fees . . . . .	70,374	-	70,374
Other local revenues . . . . .	69,796	15,827	85,623
Other revenue . . . . .	37,570	-	37,570
Intergovernmental - state . . . . .	7,801,023	327,188	8,128,211
Intergovernmental - federal . . . . .	-	1,404,617	1,404,617
	<b>14,463,734</b>	<b>2,730,639</b>	<b>17,194,373</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	7,513,487	420,673	7,934,160
Special . . . . .	1,387,772	484,908	1,872,680
Vocational . . . . .	57,452	-	57,452
Support Services:			
Pupil . . . . .	448,970	53,601	502,571
Instructional staff . . . . .	615,442	404,237	1,019,679
Board of education . . . . .	177,052	-	177,052
Administration . . . . .	1,624,445	87,765	1,712,210
Fiscal . . . . .	328,484	-	328,484
Business . . . . .	6,233	-	6,233
Operations and maintenance . . . . .	1,612,776	316,771	1,929,547
Pupil transportation . . . . .	1,307,627	11,377	1,319,004
Central . . . . .	263,767	33,751	297,518
Food service operations . . . . .	-	739,793	739,793
Extracurricular activities . . . . .	314,799	173,636	488,435
Facilities acquisition and construction . . . . .	-	4,808	4,808
Debt service:			
Principal retirement . . . . .	661	-	661
Interest and fiscal charges . . . . .	13	-	13
	<b>15,658,980</b>	<b>2,731,320</b>	<b>18,390,300</b>
Excess of revenues under expenditures . . . . .	(1,195,246)	(681)	(1,195,927)
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	26,169	26,169
Transfers (out) . . . . .	(26,169)	-	(26,169)
Total other financing sources (uses) . . . . .	(26,169)	26,169	-
Net change in fund balances . . . . .	(1,221,415)	25,488	(1,195,927)
<b>Fund balances, July 1 (restated) . . . . .</b>	4,625,378	469,969	5,095,347
<b>Decrease in reserve for inventory . . . . .</b>	-	(2,494)	(2,494)
<b>Fund balances, June 30 . . . . .</b>	<b>\$ 3,403,963</b>	<b>\$ 492,963</b>	<b>\$ 3,896,926</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (1,195,927)</b>
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	133,819
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.	(9,198)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	448,997
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.	(2,494)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	661
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(54,720)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	<u>(59,748)</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ (738,610)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget - Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 6,419,218	\$ 6,419,218	\$ 6,622,372	\$ 203,154
Tuition . . . . .	75,105	75,105	77,482	2,377
Transportation fees . . . . .	30,937	30,937	31,916	979
Earnings on investments . . . . .	96,990	96,990	100,060	3,070
Classroom materials and fees . . . . .	68,215	68,215	70,374	2,159
Other local revenue . . . . .	68,496	53,496	65,456	11,960
Other revenue . . . . .	36,417	36,417	37,570	1,153
Intergovernmental - state . . . . .	7,563,467	7,563,467	7,802,834	239,367
	<u>14,358,845</u>	<u>14,343,845</u>	<u>14,808,064</u>	<u>464,219</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,619,344	7,634,427	7,537,419	97,008
Special . . . . .	1,453,965	1,456,515	1,400,204	56,311
Vocational . . . . .	57,175	57,175	54,888	2,287
Support services:				
Pupils . . . . .	438,652	454,152	440,450	13,702
Instructional staff . . . . .	643,869	643,869	603,081	40,788
Board of education . . . . .	124,260	198,790	177,793	20,997
Administration . . . . .	1,647,745	1,649,245	1,604,230	45,015
Fiscal . . . . .	380,221	373,971	329,387	44,584
Business . . . . .	6,000	6,250	6,233	17
Operations and maintenance . . . . .	1,516,615	1,841,615	1,802,829	38,786
Pupil transportation . . . . .	1,363,685	1,480,683	1,468,555	12,128
Central . . . . .	265,898	283,444	268,594	14,850
Extracurricular activities . . . . .	313,100	318,469	318,469	-
	<u>15,830,529</u>	<u>16,398,605</u>	<u>16,012,132</u>	<u>386,473</u>
Excess of revenues over (under) expenditures . . . . .	<u>(1,471,684)</u>	<u>(2,054,760)</u>	<u>(1,204,068)</u>	<u>850,692</u>
<b>Other financing sources (uses):</b>				
Advances in . . . . .	476,155	476,155	491,224	15,069
Advances (out) . . . . .	-	-	(568,412)	(568,412)
Transfers (out) . . . . .	(30,000)	(30,000)	(26,169)	3,831
Contingencies . . . . .	-	(9,504)	-	9,504
Refund of prior year's expenditures . . . . .	115,000	115,000	118,640	3,640
	<u>561,155</u>	<u>551,651</u>	<u>15,283</u>	<u>(536,368)</u>
Net change in fund balance . . . . .	(910,529)	(1,503,109)	(1,188,785)	314,324
<b>Fund balance, July 1 . . . . .</b>	<b>5,129,177</b>	<b>5,129,177</b>	<b>5,129,177</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>28,756</b>	<b>28,756</b>	<b>28,756</b>	<b>-</b>
<b>Fund balance, June 30 . . . . .</b>	<b><u>\$ 4,247,404</u></b>	<b><u>\$ 3,654,824</u></b>	<b><u>\$ 3,969,148</u></b>	<b><u>\$ 314,324</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2003

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 58,079
Prepayments . . . . .	11,867
Total assets . . . . .	\$ 69,946
<b>Liabilities:</b>	
Accounts payable . . . . .	\$ 708
Claims payable. . . . .	205,057
Total liabilities . . . . .	205,765
<b>Net assets:</b>	
Unrestricted . . . . .	(135,819)
Total net assets (deficit) . . . . .	\$ (135,819)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

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

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 2,446,849
Total operating revenues . . . . .	<u>2,446,849</u>
<b>Operating expenses:</b>	
Employee benefits . . . . .	293,310
Purchased services . . . . .	11,287
Claims expense . . . . .	<u>2,202,000</u>
Total operating expenses . . . . .	<u>2,506,597</u>
Change in net assets . . . . .	(59,748)
<b>Net assets (deficit), July 1 . . . . .</b>	<u>(76,071)</u>
<b>Net assets (deficit), June 30 . . . . .</b>	<u><u>\$ (135,819)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 2,446,849
Cash payments for employee benefits . . . . .	(293,310)
Cash payments for purchased services . . . . .	(10,976)
Cash payments for claims. . . . .	<u>(2,371,136)</u>
Net cash used in operating activities. . . . .	<u>(228,573)</u>
Net decrease in cash and cash equivalents. . . . .	(228,573)
<b>Cash and cash equivalents, July 1 . . . . .</b>	<u>286,652</u>
<b>Cash and cash equivalents, June 30 . . . . .</b>	<u><u>\$ 58,079</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	(59,748)
Changes in assets and liabilities:	
Increase in prepayments. . . . .	(11,867)
Increase in accounts payable . . . . .	311
Decrease in due to other governments . . . . .	(77,152)
Decrease in claims payable . . . . .	<u>(80,117)</u>
Net cash used in operating activities . . . . .	<u><u>\$ (228,573)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2003

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 43,028	\$ 29,328
Total assets . . . . .	<u>43,028</u>	<u>29,328</u>
<b>Liabilities:</b>		
Accounts payable . . . . .	-	3,198
Due to students . . . . .	-	26,130
Total liabilities . . . . .	<u>-</u>	<u>\$ 29,328</u>
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	<u>43,028</u>	
Total net assets . . . . .	<u>\$ 43,028</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 723
Gifts and contributions . . . . .	9,771
Total additions . . . . .	10,494
<b>Deductions:</b>	
Scholarships awarded . . . . .	6,705
Change in net assets . . . . .	3,789
<b>Net assets, July 1 . . . . .</b>	<b>39,239</b>
<b>Net assets, June 30 . . . . .</b>	<b>\$ 43,028</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District ranks as the 223<sup>rd</sup> largest by enrollment among the 740 public and community school districts in the state. The District employs 121 non-certified and 170 certified employees to provide services to approximately 2,371 students and community groups. The District provides regular and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services. The District co-operates with the Pickaway County Educational Service Center, a separate entity, for curricular services.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access to organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

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

*JOINTLY GOVERNED ORGANIZATIONS*

Metropolitan Education Council (MEC) - Is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District paid \$105,853 to MEC for services provided during fiscal 2003.

Central Ohio Special Education Regional Resource Center

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

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Program (GRP)

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program was established as an insurance purchasing pool and is governed by a three-member Board of Directors. The Executive Director of the Ohio School Boards Association, or his/her designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 12.C. for further information on this group rating plan.

Ross County School Employees Insurance Consortium

The District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area. Medical/surgical insurance is administered through a third party administrator, Klais and Company. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to Westfall Local School District, Scott Glandon, who serves as Treasurer, at 19463 Pherson Pike, Williamsport, Ohio 43164.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

*PROPRIETARY FUND*

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

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

*FIDUCIARY FUNDS*

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

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

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



**LOGAN ELM LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

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

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

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2003 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Pickaway County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the one-digit object level within each two-digit function for the general fund and the fund level of expenditures for all other funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.)

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

5. Any revisions that alter the appropriations at the one-digit object level within each two-digit function for the general fund and the fund level of expenditures for all other funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The final budget figures, which appear in the statement of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.

**LOGAN ELM LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

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

**E. Budgets – (Continued)**

8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**F. Cash and Investments**

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

The District has invested funds in STAR Ohio during fiscal year 2003. 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, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2003 amounted to \$102,094, which includes \$18,093 assigned from other District funds.

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

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

**G. Inventory**

On government-wide statements inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of donated food and purchased food.

**H. Capital Assets**

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

**LOGAN ELM LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

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

**H. Capital Assets – (Continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District increased its capitalization threshold from \$500 to \$3,000 during fiscal year 2003. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	15 - 90 years
Buildings and improvements	25 - 100 years
Furniture and equipment	8 - 20 years
Vehicles	15 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental type activities column of the Statement of Net Assets.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2003, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2003, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

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

**J. Compensated Absences – (Continued)**

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**L. Accrued Liabilities and Long-Term Obligations**

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

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

**M. Fund Balance Reserves**

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

**N. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for budget stabilization. See Note 17 for details.

**LOGAN ELM LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

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

**O. Estimates**

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

**P. Net Assets**

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

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

**Q. Operating Revenues and Expenses**

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

**R. Interfund Activity**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

**Governmental Activities - Fund Reclassification and Restatement of Fund Balance -** Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance			
June 30, 2002	\$ 4,412,375	\$ 242,739	\$ 4,655,114
Fund reclassifications	194,316	227,230	421,546
Implementation of GASB Interpretation No. 6	<u>18,687</u>	<u>-</u>	<u>18,687</u>
Restated fund balance, June 30, 2002	<u>\$ 4,625,378</u>	<u>\$ 469,969</u>	<u>\$ 5,095,347</u>

**LOGAN ELM LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**A. Changes in Accounting Principles and Restatement of Fund Balance – (Continued)**

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2002	\$ 5,095,347
GASB 34 adjustments:	
Long-term (deferred) assets	115,200
Capital assets	5,088,687
Long-term liabilities	(1,176,864)
Internal service fund	(76,071)
Governmental activities net assets, June 30, 2002	\$ 9,046,299

**B. Deficit Fund Balance**

Fund balances at June 30, 2003 included the following individual fund deficit:

	<u>Deficit</u>
<u>Nonmajor Fund</u>	
Permanent Improvement	\$ 65,830

This fund complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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



**LOGAN ELM LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**LOGAN ELM LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

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

*Cash on Hand:* At fiscal year-end, the District had \$2,973 in undeposited cash on hand which is included on the basic financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

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

*Deposits:* At year-end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$2,936,307, and the bank balance was \$3,109,936. Of the bank balance:

1. \$109,539 was covered by federal depository insurance; and
2. \$3,000,397 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

At June 30, 2003, the District had an investment of \$2,160,730 in STAR Ohio. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,995,710	\$ 104,300
Investment of the cash management pool:		
Investments in STAR Ohio	(2,160,730)	2,160,730
Certificate of deposit	104,300	(104,300)
Cash on hand	(2,973)	-
 GASB Statement No. 3	 <u>\$ 2,936,307</u>	 <u>\$ 2,160,730</u>

**LOGAN ELM LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances consisted of the following at June 30, 2003, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 86,379

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2003 are reported on the Statement of Net Assets.

- B.** Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental fund from:

General Fund	\$ 26,169
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Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Pickaway County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$703,901 in the general fund and \$20,549 in the capital projects fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2002 was \$685,217 in the general fund and \$20,378 in the capital projects fund.

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

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 186,944,160	74.08	\$ 199,724,460	75.40
Public utility personal	18,461,020	7.32	19,507,990	7.37
Tangible personal property	<u>46,945,291</u>	<u>18.60</u>	<u>45,638,704</u>	<u>17.23</u>
Total	<u>\$ 252,350,471</u>	<u>100.00</u>	<u>\$ 264,871,154</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 40.50		\$ 40.40	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Property taxes	\$ 7,518,947
Accounts	14,519
Intergovernmental	550,376
Accrued interest	<u>2,163</u>
 Total	 <u>\$ 8,086,005</u>

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

**NOTE 8 - CAPITAL ASSETS**

A. The capital asset balances of the governmental activities have been restated due to fund reclassifications (see Note 3.A. for detail) and an increase in capitalization threshold (see Note 2.H for detail).

	Balance 6/30/02	Adjustments	Restated Balance 6/30/02
<b>Governmental Activities:</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 8,024	\$ -	\$ 8,024
Total capital assets, not being depreciated	<u>8,024</u>	<u>-</u>	<u>8,024</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	1,137,012	(67,195)	1,069,817
Buildings and improvements	4,563,682	44,317	4,607,999
Furniture and equipment	3,337,113	(1,438,799)	1,898,314
Vehicles	<u>1,568,481</u>	<u>-</u>	<u>1,568,481</u>
Total capital assets, being depreciated	<u>10,606,288</u>	<u>(1,461,677)</u>	<u>9,144,611</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(4,063,948)</u>	<u>(4,063,948)</u>
Governmental activities capital assets, net	<u>\$ 10,614,312</u>	<u>\$ (5,525,625)</u>	<u>\$ 5,088,687</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**NOTE 8 - CAPITAL ASSETS - (Continued)**

B. Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance 06/30/02	Additions	Disposals	Balance 06/30/03
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 8,024	\$ -	\$ -	\$ 8,024
Total capital assets, not being depreciate	<u>8,024</u>	<u>-</u>	<u>-</u>	<u>8,024</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,069,817	96,153	(3,747)	1,162,223
Buildings and improvements	4,607,999	76,392	(16,791)	4,667,600
Furniture and equipment	1,898,314	147,417	(6,662)	2,039,069
Vehicles	<u>1,568,481</u>	<u>116,469</u>	<u>(33,540)</u>	<u>1,651,410</u>
Total capital assets, being depreciated	<u>9,144,611</u>	<u>436,431</u>	<u>(60,740)</u>	<u>9,520,302</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(370,915)	(30,388)	3,372	(397,931)
Buildings and improvements	(2,190,058)	(69,293)	13,601	(2,245,750)
Furniture and equipment	(642,926)	(137,217)	4,697	(775,446)
Vehicles	<u>(860,049)</u>	<u>(65,714)</u>	<u>29,872</u>	<u>(895,891)</u>
Total accumulated depreciation	<u>(4,063,948)</u>	<u>(302,612)</u>	<u>51,542</u>	<u>(4,315,018)</u>
Governmental activities capital assets, net	<u>\$ 5,088,687</u>	<u>\$ 133,819</u>	<u>\$ (9,198)</u>	<u>\$ 5,213,308</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 98,052
Special	14,815
<u>Support Services:</u>	
Pupil	1,101
Instructional staff	66,459
Administration	2,612
Fiscal	139
Operations and maintenance	6,745
Pupil transportation	74,561
Central	204
Extracurricular activities	23,015
Food service operations	<u>14,909</u>
Total depreciation expense	<u>\$ 302,612</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**NOTE 9 - CAPITALIZED LEASE - LESSEE DISCLOSURE**

In a prior year, the District entered into a capitalized lease for equipment. This lease agreement met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital fixed assets consisting of equipment have been capitalized in the amount of \$6,743. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government-wide financial statements. The final principal payments in fiscal year 2003 totaled \$661 paid by the general fund.

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

	<u>Balance at</u> <u>6/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>06/30/03</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Capital lease obligation	\$ 661	\$ -	\$ (661)	\$ -	\$ -
Compensated absences	<u>1,027,138</u>	<u>75,088</u>	<u>-</u>	<u>1,102,226</u>	<u>114,052</u>
Total governmental activities long-term liabilities	<u>\$ 1,027,799</u>	<u>\$ 75,088</u>	<u>\$ (661)</u>	<u>\$ 1,102,226</u>	<u>\$ 114,052</u>

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

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003, are a voted debt margin of \$23,838,404 and an unvoted debt margin of \$264,871.

**NOTE 11 - COMPENSATED ABSENCES**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**NOTE 12 - 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 2003, the District contracted with Nationwide Insurance for liability, property, fleet, crime, and inland marine coverage. The District also purchases faithful performance bonds from Nationwide. Coverages provided at June 30, 2003 are as follows:

Building and Contents (\$5,000 deductible)	\$37,913,300
Inland Marine (\$1,000 deductible)	120,000
Automobile Liability (\$1,000 deductible)	3,000,000
Crime	
Theft, Inside or Outside the Premises	10,000
Public Employee Dishonesty	25,000
General Liability	
Aggregate	3,000,000
Per Occurrence	1,000,000
Fire Damage Limit (any one fire)	500,000
Medical Expense Limit (any one person)	10,000
Public Official Bonds	
Treasurer	50,000
Superintendent / Board President (each)	20,000

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

**B. Health/Medical and Dental Insurance**

Health and dental insurance is offered to employees through self-insurance internal service funds. Klais & Company, Inc., is the third party administrator for the health insurance program. In regards to health/ medical insurance, the District participates as a member of the Ross County School Employees Insurance Consortium (RCSEIC). RCSEIC currently includes 14 member school districts. Health/ medical insurance premiums are determined by the RCSEIC board of directors and are remitted monthly to the consortium's fiscal agent, who then pays all incurred claims. Dental insurance premiums are determined by the District Board of Education, which then pays all incurred claims. Klais & Company, Inc., a third party administrator, services all health/medical claims submitted by employees. The District has obtained a stop-loss coverage insurance policy covering individual claims in excess of \$100,000 per covered person and aggregate stop-loss coverage of \$2,000,000. Professional Risk Management, Inc., a third party administrator, services all dental claims submitted by employees.

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

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Claims liabilities at beginning of fiscal year	\$ 285,174	\$ 387,987
Incurred claims	2,202,000	1,742,137
Claims paid	<u>(2,282,117)</u>	<u>(1,844,950)</u>
Claims liabilities at end of fiscal year	<u>\$ 205,057</u>	<u>\$ 285,174</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**B. Health/Medical and Dental Insurance – (Continued)**

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

**C. Workers' Compensation**

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

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

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2003, 8.17% was the portion to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$199,147, \$128,457, and \$88,013, respectively; 50.00% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$99,574, represents the unpaid contribution for fiscal year 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,035,060, \$710,187, and \$694,390, respectively; 83.33% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$172,510, represents the unpaid contribution for fiscal year 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. 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% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$79,620 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 this fiscal year, employer contributions to fund health care benefits were 5.83% 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 2003, the minimum pay has been established at \$12,400. 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 at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$185,713 during the 2003 fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

<b>Net Change in Fund Balance</b>	
	<u>General Fund</u>
Budget basis	\$ (1,188,785)
Net adjustment for revenue accruals	(344,330)
Net adjustment for expenditure accruals	(16,711)
Net adjustment for other sources/uses	(41,452)
Adjustment for encumbrances	<u>369,863</u>
GAAP basis	<u>\$ (1,221,415)</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**NOTE 16 - CONTINGENCIES - (Continued)**

**B. Litigation**

The District is party to a legal proceeding. The District's management is of the opinion that the ultimate outcome of such litigation will not result in a material adverse effect on the District's financial position.

**C. 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 District is currently unable to determine what effect, if any, this decision will have on its future state funding and on its financial operations.

**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2002	\$ -	\$ -	\$ 170,623
Current year set-aside requirement	308,318	308,318	-
Current year offsets	(39,292)	(218,778)	-
Qualifying disbursements	<u>(380,370)</u>	<u>(462,884)</u>	<u>-</u>
Total	<u>\$ (111,344)</u>	<u>\$ (373,344)</u>	<u>\$ 170,623</u>
Balance carried forward to FY 2004	<u>\$ (111,344)</u>	<u>\$ -</u>	<u>\$ 170,623</u>

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

A schedule of the Governmental Fund restricted assets at June 30, 2003 follows:

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

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**LOGAN ELM LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	316402678	10.550	\$0	\$37,323	\$0	\$37,323
National School Breakfast Program	05-PU 02/03	10.553	8,339	0	8,339	0
National School Lunch Program	03,04-PU 02/03	10.555	116,145	0	116,145	0
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE- NUTRITION CLUSTER</b>			<b>124,484</b>	<b>37,323</b>	<b>124,484</b>	<b>37,323</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF 02/03 P	84.027	233,855	0	256,384	0
Special Education - Preschool Grant	PG-S1 03 P	84.173	8,615	0	9,734	0
Total Special Education Cluster			<b>242,470</b>	<b>0</b>	<b>266,118</b>	<b>0</b>
Title 1 -Grants to Local Educational Agencies	C1-S1 02/03	84.010	437,875	0	437,455	0
Safe and Drug-Free Schools and Communities	DR-S1 02/03	84.186	13,716	0	13,856	0
Continuous Improvement	G2-S1 02	84.276	0	0	9,145	0
Eisenhower Professional Development State Grants	MS-S1 01	84.281	1,125	0	7,041	0
Innovative Educational Program Strategies	C2-S1 01/02/03	84.298	12,217	0	15,042	0
Education Technology State Grants	TJ-S1 03	84.318	6,300	0	4,500	0
Comprehensive School Reform Demonstration Grant	RF-S2 01/02 (A)	84.332	196,250	0	178,713	0
REA- Local Reading Improvement	H2-88-02	84.338	0	0	32,941	0
Class Size Reduction	CR-S1 02	84.340	16,319	0	20,955	0
School Renovation Grant	316402678	84.352A	786	0	786	0
Improving Teacher Quality State Grants	TR-S1 03	84.367	103,728	0	111,575	0
<i>Passed Through Ohio School Facilities Commission</i>						
School Renovation Grants	316402678	84.352A	150,000	0	309	0
<b>TOTAL U.S.DEPARTMENT OF EDUCATION</b>			<b>1,180,786</b>	<b>0</b>	<b>1,098,436</b>	<b>0</b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through Ohio Department of MRDD</i>						
Medical Assistance Programs	316402678	93.778	4,720	0	4,720	0
<i>Passed Through Ohio Department of Education:</i>						
Temporary Assistance for Needy Families	316402678	93.558	40,984	0	40,984	0
<b>TOTAL U.S.DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>45,704</b>	<b>0</b>	<b>45,704</b>	<b>0</b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>			<b>\$1,350,974</b>	<b>\$37,323</b>	<b>\$1,268,624</b>	<b>\$37,323</b>

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

**LOGAN ELM LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2003**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.





## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the basic financial statements of the Logan Elm Local School District, Pickaway County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 9, 2004, wherein we noted the District adopted *Governmental Accounting Standards Board Statement No. 34*. We conducted our audit in accordance with auditing standards generally accepted by 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 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 a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 9, 2004.

#### **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. 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.

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However, we noted certain other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 9, 2004.

This report is intended solely for the information and use of the management, the Board of Education, and the 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**

February 9, 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**

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

To the Board of Education:

We have audited the compliance of the Logan Elm Local School District, Pickaway County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

**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.

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**Internal Control Over Compliance (Continued)**

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

This report is intended solely for the information and use of the 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**

February 9, 2004

**LOGAN ELM LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003**

**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>	No
<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>	No
<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>	Special Education Cluster – (Special Education Grants to States - CFDA 84.027 and Special Education – Preschool Grant – CFDA 84.173)  Child Nutrition Cluster – (School Breakfast Program – CFDA 10.553 and National School Lunch Program – CFDA 10.555 and Food Donation – CFDA 10.550)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 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**

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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**Auditor of State  
Betty Montgomery**

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**LOGAN ELM LOCAL SCHOOL DISTRICT**

**PICKAWAY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 23, 2004**