



CITY OF LOGAN, OHIO

Hocking County

Regular Audit

For the Year Ended December 31, 2004

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





**Auditor of State
Betty Montgomery**

Members of Council
City of Logan
10 S. Mulberry
Logan, Ohio 43138

We have reviewed the *Independent Auditor's Report* of the City of Logan, Hocking County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2004 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 26, 2005

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Independent Auditor's Report

Members of Council
City of Logan
10 South Mulberry Street
Logan, Ohio 43138

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Logan, Ohio (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Logan, Ohio as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparisons for the General Fund and Major Special Revenue 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 December 31, 2004, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*. Also as described in Note 3, during the year ended December 31, 2004, the City implemented GASB Statement Nos. 37, 38, 39, 41 and 46, Interpretation No. 6, and Technical Bulletin No. 2004-02.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Members of Council
City of Logan, Ohio
Independent Auditor's Report

The management's discussion and analysis on pages 4 through 10, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG & ASSOCIATES, INC.

August 23, 2005

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The discussion and analysis of the City of Logan's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the City'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 City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2004 are as follows:

- In total, net assets decreased \$223,708. Net assets of governmental activities decreased \$533,317 or 6.3 percent from 2003. Net assets of business-type activities increased \$309,609, which represents a 3.9 percent increase from 2003.
- In total, cash and cash equivalents decreased \$241,863 or 14 percent. Total cash and cash equivalents of governmental activities decreased \$250,393 or 20.1 percent, while cash and cash equivalents in our business-type activities increased \$65,095 or 15.1 percent.
- Overall, capital assets decreased \$620,293. Total capital assets of governmental activities decreased \$331,951 or 4.9 percent. Capital assets of business-type activities decreased \$288,342 or 2.5 percent. The decrease in capital assets in both governmental and business-type activities is attributable to the City essentially completing most major capital acquisitions and improvement projects in 2003. No major projects were begun or completed in 2004.
- The City has three major funds; the General, Street Construction and Maintenance, and Capital Improvements Funds. The General Fund had \$2,841,943 in revenues and \$2,934,883 in expenditures. The General Fund's balance increased \$1,060. The Street Construction and Maintenance Fund had \$249,378 in revenues and \$224,964 in expenditures. The Street Construction and Maintenance Fund's balance increased by \$24,414. The Capital Improvements Fund had \$266,833 in revenues and \$412,657 in expenditures. The Capital Improvements Fund balance decreased \$260,824.
- The City has two business-type activities: the Water and Sewer Funds. The Water Fund had \$1,260,584 in operating revenues and \$1,171,635 in operating expenses. The Water Fund's net asset balance increased \$186,679. The Sewer Fund had \$1,019,661 in operating revenues and \$780,511 in operating expenses. The Sewer Fund's net asset balance increased \$122,930.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Logan's financial position.

The statement of net assets and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater 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. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General, Street Construction and Maintenance, Capital Improvements, Water, and Sewer funds.

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Reporting the City of Logan as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and 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 considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or worsened. Over time, these changes are one indicator of whether the financial position is improving or deteriorating. However, in evaluating the overall position of the City, non-financial information, such as the condition of the City's capital assets and changes in the City's property tax base will also need to be evaluated.

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

- **Governmental Activities** – Most of the City's services are reported here including police, fire, administration, and all departments with the exception of our Water and Sewer Funds.
- **Business-Type Activities** – Water and sewer services have charges based on the amounts of usage. The City charges fees to recoup the cost of the entire operation or our water and sewer treatment plants as well as all capital expenses associated with these facilities and equipment.

Reporting the City of Logan's Most Significant Funds

Fund Financial Statements

The basic governmental fund financial statements begin on page 14. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Logan, our major funds are the General, Street Construction and Maintenance, Capital Improvements, Water, and Sewer Funds.

Governmental Funds Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of these 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 statements provide a detailed short-term view of the City's general governmental 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 on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

Proprietary Funds When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

THE CITY OF LOGAN AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2004 compared to 2003.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$2,426,745	\$2,700,279	\$1,168,405	\$1,054,255	\$3,595,150	\$3,754,534
Capital Assets, Net	6,429,828	6,761,779	11,239,110	11,527,452	17,668,938	18,289,231
<i>Total Assets</i>	<u>8,856,573</u>	<u>9,462,058</u>	<u>12,407,515</u>	<u>12,581,707</u>	<u>21,264,088</u>	<u>22,043,765</u>
Liabilities						
Current and Other Liabilities	557,407	566,930	212,075	215,027	769,482	781,957
Long-Term Liabilities:						
Due within One Year	195,331	208,037	549,263	534,425	744,594	742,462
Due in More than One Year	233,664	283,603	3,516,502	4,012,189	3,750,166	4,295,792
<i>Total Liabilities</i>	<u>986,402</u>	<u>1,058,570</u>	<u>4,277,840</u>	<u>4,761,641</u>	<u>5,264,242</u>	<u>5,820,211</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	6,229,184	6,387,491	7,275,142	7,079,582	13,504,326	13,467,073
Restricted for:						
Perpetual Care:						
Non-Expendable	65,034	65,034	0	0	65,034	65,034
Other Purposes	686,266	661,040	0	0	686,266	661,040
Capital Projects	503,360	790,632	0	0	503,360	790,632
Unrestricted	386,327	499,291	854,533	740,484	1,240,860	1,239,775
<i>Total Net Assets</i>	<u>\$7,870,171</u>	<u>\$8,403,488</u>	<u>\$8,129,675</u>	<u>\$7,820,066</u>	<u>\$15,999,846</u>	<u>\$16,223,554</u>

Total governmental activities assets decreased \$605,485. Cash and cash equivalents decreased \$322,558, the City, quite obviously, spent more than it brought in. Capital assets decreased \$331,951. The decrease in capital assets is due not only to reductions in actual assets held, but also depreciation expenses that exceeded current year additions. The City's total governmental activities receivables increased \$49,119. This increase in receivables is due primarily to increases in property and income taxes and amounts receivable from other governments attributable to the growth in gas tax and motor vehicle license tax.

Total governmental activities liabilities decreased \$72,168. Current and other liabilities decreased \$9,523. This is entirely due to increases in accrued wages and deferred revenue. The increase in deferred revenue is attributable to the corresponding increases in property taxes receivable. Long-term liabilities decreased \$62,645 as the City made required debt service payments greater than new debt issues.

Total business-type activities assets decreased \$174,192. Cash and cash equivalents increased \$65,095, as capital assets decreased \$288,342. The decrease in capital assets of business-type activities, like the decrease in governmental activities capital assets, is due not only to reductions in actual assets held, but also, depreciation expenses that exceeded current year additions. The City's total business-type activities receivables increased \$46,249. The additional receivables are due to increases in payments in lieu of taxes receivable for projects completed in 2003.

For business-type activities, current and other liabilities decreased \$2,952. Long-term liabilities decreased \$480,849. During 2004, the City acquired loans and other obligations in the amount of \$25,291 and paid principal amounts of \$506,140 on other outstanding debt and obligations.

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 2 reflects the change in net assets for the year ended 12/31/04. Since this is the first year the City has prepared financial statements following GASB Statement 34, revenue and expense comparisons to 2003 are not available. In future years, when prior information is available, a comparative analysis of government-wide data will be presented.

(Table 2)
 Changes in Net Assets

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Revenues			
Program Revenues			
Charges for Services	\$301,403	\$2,260,181	\$2,561,584
Operating Grants, Contributions and Interest	637,887	0	637,887
Capital Grants and Contributions	0	218,738	218,738
<i>Total Program Revenues</i>	<u>939,290</u>	<u>2,478,919</u>	<u>3,418,209</u>
General Revenues			
Property Taxes	308,314	0	308,314
Income Taxes	2,202,683	0	2,202,683
Grants and Entitlements	478,697	0	478,697
Interest	20,261	639	20,900
Other	15,655	20,064	35,719
<i>Total General Revenues</i>	<u>3,025,610</u>	<u>20,703</u>	<u>3,046,313</u>
Total Revenues	<u>3,964,900</u>	<u>2,499,622</u>	<u>6,464,522</u>
Program Expenses			
General Government	617,359	0	617,359
Security of Persons and Property:			
Police	1,484,281	0	1,484,281
Fire	778,463	0	778,463
Public Health Services	283,308	0	283,308
Transportation	1,048,603	0	1,048,603
Leisure Time Activities	249,819	0	249,819
Community Environment	17,295	0	17,295
Basic Utility Services	12,979	0	12,979
Interest and Fiscal Charges	6,110	0	6,110
Water	0	1,293,282	1,293,282
Sewer	0	896,731	896,731
<i>Total Program Expenses</i>	<u>4,498,217</u>	<u>2,190,013</u>	<u>6,688,230</u>
<i>Increase (Decrease) in Net Assets</i>	<u>(\$533,317)</u>	<u>\$309,609</u>	<u>(\$223,708)</u>

Governmental Activities

Program revenues accounted for 24 percent of total revenues for governmental activities in 2004. Governmental activities services are primarily funded through general revenues, those basically being property taxes, income taxes, and State shared revenues. These revenue sources make up 99 percent of general revenues and over 75 percent of total revenues. The City's general revenues changed very little from the previous year.

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The City continues to work very hard to increase our income tax base by being proactive with new businesses and we are continuing to strive to provide better service to the taxpayers at the lowest cost possible. The ability of the City to continue to provide quality services without income tax increases rests on the City Management's ability to keep costs in line.

Security of persons and property is a major activity of the City, generating 50 percent of the governmental expenses. During 2004, expenses for police and fire operations amounted to \$1,484,281 and \$778,463, respectively. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department to enable the department to widen the scope of its activity. The fire department and its employees continue to work hand in hand with the City to help reduce the costs to the taxpayer.

Transportation activities of the City accounted for more than 23 percent of governmental expenses. This is an increase of \$896,410. This is due to an increase in depreciation expense from the US 33 Highway Improvement Project and the City's continued focus on the maintenance and repair of streets and curbs.

General government, public health, parks and recreation, community environment, and basic utility service activities account for the remaining 27 percent of governmental expenditures.

Business-Type Activities

The City's business-type activities are composed of water and sewer operations and are funded almost entirely from charges for services. During 2004, program revenues exceed program expenses by \$288,906 for all business-type activities.

The City's water and sewer departments continued to operate with low rates. The minimum water and sewer rates are \$9.10 and \$9.61, respectively, for the first 2,000 gallons. Water and sewer rates for two surrounding communities are \$14.75 and \$7.25 for water and \$14.75 and \$10.00 for sewer.

THE CITY'S FUNDS

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,976,512 and expenditures of \$4,263,405.

The fund balance of the General Fund increased \$1,060. The General Fund's unreserved fund balance of \$245,379 represented 8% of current year expenditures. Most of this balance remains in the City's treasury and is invested.

The fund balance of the Street Construction and Maintenance Special Revenue Fund increased \$24,414. The Street Construction and Maintenance Fund's unreserved fund balance of \$59,078 represented 26% of current year expenditures. The City did not complete or start any street paving projects in 2004.

The fund balance of the Capital Improvements Capital Projects fund decreased \$260,824. The Capital Improvement Fund's unreserved fund balance of \$411,678 represented more than 99% of current year expenditures.

During 2004, the Water Fund had operating revenues of \$1,260,584 and operating expenses of \$1,171,635. The Sewer Fund had operating revenues of \$1,019,661 and operating expenses of \$780,511. Water and sewer rates last increased 3% on July 1, 2004.

General Fund Budgeting Highlights

The City'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. From time to time during the year, the fund's budget may be amended as needs or conditions change.

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

During the course of 2004, the City amended its General Fund budget several times, none were significant. All recommendations for a budget change came from the City Auditor to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. The allocation of appropriations among the departments and objects within a fund may be modified during the year by the City Auditor without an ordinance of Council. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, an increase of \$119,520 was made to the original budgeted revenues. Final budgeted expenditures also increased \$28,600 over the original amount. The City of Logan's ending unencumbered cash balance in the General Fund was \$127,514 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

(Table 3)
 Capital Assets at December 31, 2004
 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$982,863	\$947,863	\$216,600	\$216,600	\$1,199,463	\$1,164,463
Land Improvements	2,525,745	2,604,009	13,464	15,049	2,539,209	2,619,058
Buildings and Improvements	1,155,909	1,157,064	0	0	1,155,909	1,157,064
Furniture, Fixtures, and Equipment	380,825	398,108	260,095	242,664	640,920	640,772
Vehicles	366,937	350,329	70,912	88,191	437,849	438,520
Infrastructure:						
City Streets	1,001,191	1,287,248	0	0	1,001,191	1,287,248
Street Signals	16,358	17,158	0	0	16,358	17,158
Water System	0	0	3,928,831	4,037,179	3,928,831	4,037,179
Sewer System	0	0	6,749,208	6,927,769	6,749,208	6,927,769
Totals	\$6,429,828	\$6,761,779	\$11,239,110	\$11,527,452	\$17,668,938	\$18,289,231

The assets of the City are reported at historical cost, net of depreciation. For additional information on capital assets, see Note 9 to the basic financial statements.

Debt

By year end, the City had three bond issues, as well as various loans and land contracts payable at December 31, 2004, totaling \$4,494,760 of which \$744,594 is due within one year. Of the City's outstanding bonds, one is for water system improvements, and two tax incremental financing bonds are for water service extensions. In addition, the City has two Ohio Water Development Authority Loans outstanding, one for sewer plant improvements, and one a feasibility study; two land contracts; and a loan used for street improvements.

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

(Table 4)
 Outstanding Debt at December 31, 2004

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Water Mortgage Revenue						
Bonds	\$0	\$0	\$1,239,200	\$1,333,100	\$1,239,200	\$1,333,100
Water Tax Incremental						
Financing Bonds	0	0	1,165,325	1,311,417	1,165,325	1,311,417
OWDA Loans	0	0	1,580,232	1,811,129	1,580,232	1,811,129
State Infrastructure						
Bank Loan	97,644	160,166	0	0	97,644	160,166
Land Contracts	103,000	100,000	0	0	103,000	100,000
Capital Leases	0	8,000	0	0	0	8,000
Totals	\$200,644	\$268,166	\$3,984,757	\$4,455,646	\$4,185,401	\$4,723,812

The mortgage revenue and tax incremental financing bonds are being paid from charges for services and payments in lieu of taxes revenue in the Water Fund. The OWDA loans are being paid from charges for services in the Sewer Fund. The State Infrastructure bank loan, land contracts, and the capital lease will be paid with income tax receipts by the Capital Improvements Fund.

The City's overall legal debt margin was \$11,530,691 at December 31, 2004. For additional information on the City's debt, see Note 14 to the basic financial statements.

CURRENT ISSUES

As the preceding information shows, the City depends heavily on its taxpayers and grants and entitlements. Stress on the City's finances is ongoing. This is evidenced by the layoffs that the City Council made in the Recreation, Street, Cemetery, and Police Departments. However, infrastructure improvements and upgrades are continuing and City residents approved a new 1.5 mill levy for the purchase of a new \$688,000 ladder truck for the City's fire department. These improvements include the Issue II Street Paving Projects, the State Route 664 Relocation Project, the purchase of new traffic controllers at the intersection of State Route 328 and Front Street, State Route 93 Sewer Line Extension Project, and the Dewatering System for the Wastewater Treatment Facility.

CONTACTING THE CITY AUDITOR'S DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kim Miller, Logan City Auditor, 10 South Mulberry Street, Logan, Ohio 43138.

City of Logan, Ohio
Statement of Net Assets
December 31, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$926,151	\$495,189	\$1,421,340
Investments	65,034	0	65,034
Property Taxes Receivable	304,716	0	304,716
Income Taxes Receivable	513,059	0	513,059
Payments in Lieu of Taxes Receivable	0	211,938	211,938
Accounts Receivable	4,029	345,839	349,868
Intergovernmental Receivable	492,604	111,115	603,719
Prepaid Items	4,688	4,324	9,012
Accrued Interest Receivable	8,809	0	8,809
Loans Receivable	107,655	0	107,655
Nondepreciable Capital Assets	982,863	216,600	1,199,463
Depreciable Capital Assets, Net	5,446,965	11,022,510	16,469,475
<i>Total Assets</i>	<u>8,856,573</u>	<u>12,407,515</u>	<u>21,264,088</u>
Liabilities			
Accounts Payable	37,754	50,095	87,849
Accrued Wages and Benefits Payable	68,394	23,251	91,645
Accrued Interest Payable	763	100,859	101,622
Matured Compensated Absences	13,992	0	13,992
Deferred Revenue	271,845	0	271,845
Intergovernmental Payable	164,659	37,870	202,529
Long-Term Liabilities:			
Due within One Year	195,331	549,263	744,594
Due in More than One Year	233,664	3,516,502	3,750,166
<i>Total Liabilities</i>	<u>986,402</u>	<u>4,277,840</u>	<u>5,264,242</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	6,229,184	7,275,142	13,504,326
Restricted for:			
Perpetual Care:			
Non-Expendable	65,034	0	65,034
Other Purposes	686,266	0	686,266
Capital Projects	503,360	0	503,360
Unrestricted	386,327	854,533	1,240,860
<i>Total Net Assets</i>	<u>\$7,870,171</u>	<u>\$8,129,675</u>	<u>\$15,999,846</u>

See accompanying notes to the basic financial statements

City of Logan, Ohio
Statement of Activities
For the Year Ended December 31, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	\$617,359	\$17,306	\$1,000	\$0
Security of Persons and Property:				
Police	1,484,281	73,396	101,628	0
Fire	778,463	77,804	30,380	0
Public Health Services	283,308	38,382	8,859	0
Transportation	1,048,603	34,053	382,749	0
Leisure Time Activities	249,819	59,067	110,910	0
Community Environment	17,295	1,395	2,361	0
Basic Utility Services	12,979	0	0	0
Interest and Fiscal Charges	6,110	0	0	0
<i>Total Governmental Activities</i>	<u>4,498,217</u>	<u>301,403</u>	<u>637,887</u>	<u>0</u>
Business-Type Activities				
Water	1,293,282	1,254,737	0	218,738
Sewer	896,731	1,005,444	0	0
<i>Total Business-Type Activities</i>	<u>2,190,013</u>	<u>2,260,181</u>	<u>0</u>	<u>218,738</u>
Totals	<u>\$6,688,230</u>	<u>\$2,561,584</u>	<u>\$637,887</u>	<u>\$218,738</u>

General Revenues

Property Taxes Levied for:
 General Purposes
Security of Persons and Property:
 Police
 Fire
Income Taxes Levied for:
 General Purposes
 Capital Improvements
Grants and Entitlements not Restricted to Specific Programs
Interest
Other

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year - See Note 3

Net Assets at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$599,053)	\$0	(\$599,053)
(1,309,257)	0	(1,309,257)
(670,279)	0	(670,279)
(236,067)	0	(236,067)
(631,801)	0	(631,801)
(79,842)	0	(79,842)
(13,539)	0	(13,539)
(12,979)	0	(12,979)
(6,110)	0	(6,110)
<u>(3,558,927)</u>	<u>0</u>	<u>(3,558,927)</u>
0	180,193	180,193
0	108,713	108,713
<u>0</u>	<u>288,906</u>	<u>288,906</u>
<u>(3,558,927)</u>	<u>288,906</u>	<u>(3,270,021)</u>
169,483	0	169,483
25,865	0	25,865
112,966	0	112,966
1,959,472	0	1,959,472
243,211	0	243,211
478,697	0	478,697
20,261	639	20,900
15,655	20,064	35,719
<u>3,025,610</u>	<u>20,703</u>	<u>3,046,313</u>
(533,317)	309,609	(223,708)
<u>8,403,488</u>	<u>7,820,066</u>	<u>16,223,554</u>
<u>\$7,870,171</u>	<u>\$8,129,675</u>	<u>\$15,999,846</u>

City of Logan, Ohio

Balance Sheet

Governmental Funds

December 31, 2004

	General	Street Construction and Maintenance	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$137,016	\$47,531	\$349,719	\$391,885	\$926,151
Investments	0	0	0	65,034	65,034
Receivables:					
Property Taxes	161,347	0	0	143,369	304,716
Income Taxes	410,447	0	102,612	0	513,059
Accounts	4,029	0	0	0	4,029
Intergovernmental	275,638	128,723	28,654	59,589	492,604
Loans	0	0	0	107,655	107,655
Accrued Interest	7,486	0	0	1,323	8,809
Prepaid Items	3,208	0	1,447	33	4,688
Total Assets	\$999,171	\$176,254	\$482,432	\$768,888	\$2,426,745
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$32,234	\$0	\$335	\$5,185	\$37,754
Accrued Wages and Benefits Payable	60,154	7,637	0	603	68,394
Matured Compensated Absences	9,889	0	0	4,103	13,992
Intergovernmental Payable	161,373	1,108	0	2,178	164,659
Deferred Revenue	488,743	108,431	66,919	176,893	840,986
Total Liabilities	752,393	117,176	67,254	188,962	1,125,785
Fund Balances					
Reserved for Encumbrances	1,399	0	3,500	0	4,899
Reserved for Endowments	0	0	0	65,034	65,034
Reserved for Loans	0	0	0	102,647	102,647
Unreserved, Undesignated, Reported in:					
General Fund	245,379	0	0	0	245,379
Special Revenue Funds	0	59,078	0	390,982	450,060
Capital Project Funds	0	0	411,678	21,263	432,941
Total Fund Balances	246,778	59,078	415,178	579,926	1,300,960
Total Liabilities and Fund Balances	\$999,171	\$176,254	\$482,432	\$768,888	\$2,426,745

See accompanying notes to the basic financial statements

City of Logan, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
December 31, 2004*

Total Governmental Fund Balances	\$1,300,960
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***Amounts reported for governmental activities in the
statement of net assets are different because***

Capital Assets used in governmental activities are not financial resources are not reported in the funds	6,429,828
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Other long-term assets are not available to pay for
current-period expenditures and therefore are not
reported in the funds:

Property Taxes	31,564	
Income Taxes	191,324	
Intergovernmental Revenues	342,643	
Other Receivables	3,610	569,141

Long-term liabilities are not due and payable in the
current period and therefore are not reported in the funds:

Loans Payable	(97,644)	
Land Contracts Payable	(103,000)	
Accrued Interest Payable	(763)	
Compensated Absences Payable	(228,351)	(429,758)

Net Assets of Governmental Activities	\$7,870,171
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See accompanying notes to the basic financial statements

City of Logan, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Street Construction and Maintenance	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$178,178	\$0	\$0	\$138,753	\$316,931
Income Taxes	1,957,938	0	242,827	0	2,200,765
Intergovernmental	495,631	249,378	23,231	237,652	1,005,892
Charges for Services	112,497	0	0	125,407	237,904
Fines, Licenses, and Permits	61,558	0	0	2,141	63,699
Interest	19,486	0	775	3,495	23,756
Gifts and Donations	1,000	0	0	110,910	111,910
Other	15,655	0	0	0	15,655
Total Revenues	2,841,943	249,378	266,833	618,358	3,976,512
Expenditures					
Current:					
General Government	481,507	0	71,693	0	553,200
Security of Persons and Property:					
Police	1,291,251	0	3,931	148,052	1,443,234
Fire	530,462	0	0	205,109	735,571
Public Health Services	264,090	0	9,586	149	273,825
Transportation	317,743	224,964	41,968	139,732	724,407
Leisure Time Activities	23,180	0	2,596	194,235	220,011
Community Environment	13,671	0	0	3,624	17,295
Basic Utility Services	12,979	0	0	0	12,979
Capital Outlay	0	0	174,757	0	174,757
Debt Service:					
Principal Retirement	0	0	102,522	0	102,522
Interest and Fiscal Charges	0	0	5,604	0	5,604
Total Expenditures	2,934,883	224,964	412,657	690,901	4,263,405
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(92,940)</i>	<i>24,414</i>	<i>(145,824)</i>	<i>(72,543)</i>	<i>(286,893)</i>
Other Financing Sources (Uses)					
Transfers In	150,000	0	0	94,000	244,000
Land Contracts Issued	0	0	35,000	0	35,000
Transfers Out	(56,000)	0	(150,000)	(38,000)	(244,000)
Total Other Financing Sources (Uses)	94,000	0	(115,000)	56,000	35,000
Net Change in Fund Balance	1,060	24,414	(260,824)	(16,543)	(251,893)
<i>Fund Balances at Beginning of Year - Restated (See Note 3)</i>	<i>245,718</i>	<i>34,664</i>	<i>676,002</i>	<i>596,469</i>	<i>1,552,853</i>
Fund Balances at End of Year	\$246,778	\$59,078	\$415,178	\$579,926	\$1,300,960

See accompanying notes to the basic financial statements

City of Logan, Ohio
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004*

Net Change in Fund Balances - Total Governmental Funds (\$251,893)

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

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

Capital Asset Additions	174,757	
Depreciation Expense	<u>(506,708)</u>	(331,951)

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

Property Taxes	(8,617)	
Income Taxes	1,918	
State Shared Revenues	8,387	
Grants	(27,974)	
Estate Taxes	14,474	
Franchise Fees	<u>200</u>	(11,612)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 102,522

In the statement of activities interest is accrued on outstanding bonds and notes, whereas in governmental funds, interest is expended when due. (506)

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported:
Land Contract Issuance (35,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:
Compensated Absences (4,877)

Change in Net Assets of Governmental Activities (\$533,317)

See accompanying notes to the basic financial statements

City of Logan, Ohio
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$176,914	\$185,145	\$177,285	(\$7,860)
Income Taxes	1,801,284	1,885,092	1,956,351	71,259
Intergovernmental	377,853	395,433	435,355	39,922
Charges for Services	95,222	99,652	112,497	12,845
Fines, Licenses, and Permits	74,318	77,776	62,435	(15,341)
Interest	21,920	22,940	14,972	(7,968)
Gifts and Donations	1,429	1,496	1,000	(496)
Other	19,910	20,836	14,430	(6,406)
<i>Total Revenues</i>	<u>2,568,850</u>	<u>2,688,370</u>	<u>2,774,325</u>	<u>85,955</u>
Expenditures				
Current:				
General Government	502,827	507,683	494,437	13,246
Security of Persons and Property:				
Police	1,290,425	1,302,889	1,296,354	6,535
Fire	506,007	510,894	503,593	7,301
Public Health Services	265,923	268,491	264,616	3,875
Transportation	328,105	331,274	321,967	9,307
Leisure Time Activities	29,071	29,352	29,348	4
Community Environemnt	14,883	15,027	13,773	1,254
Basic Utility Services	23,934	24,165	24,128	37
<i>Total Expenditures</i>	<u>2,961,175</u>	<u>2,989,775</u>	<u>2,948,216</u>	<u>41,559</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(392,325)</u>	<u>(301,405)</u>	<u>(173,891)</u>	<u>127,514</u>
Other Financing Sources (Uses)				
Transfers In	0	150,000	150,000	0
Transfers Out	(56,000)	(56,000)	(56,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(56,000)</u>	<u>94,000</u>	<u>94,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(448,325)</u>	<u>(207,405)</u>	<u>(79,891)</u>	<u>127,514</u>
<i>Fund Balance at Beginning of Year</i>	<u>214,491</u>	<u>214,491</u>	<u>214,491</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$233,834)</u>	<u>\$7,086</u>	<u>\$134,600</u>	<u>\$127,514</u>

See accompanying notes to the basic financial statements

City of Logan, Ohio
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Street Construction and Maintenance Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$212,000	\$212,000	\$245,838	\$33,838
Expenditures				
Current:				
Transportation	237,000	237,000	223,914	13,086
<i>Net Change in Fund Balance</i>	(25,000)	(25,000)	21,924	46,924
<i>Fund Balance at Beginning of Year</i>	25,607	25,607	25,607	0
<i>Fund Balance at End of Year</i>	\$607	\$607	\$47,531	\$46,924

See accompanying notes to the basic financial statements

City of Logan, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2004

	Water	Sewer	Total Enterprise Funds
Assets			
Current :			
Equity in Pooled Cash and Cash Equivalents	\$314,768	\$180,421	\$495,189
Payments in Lieu of Taxes Receivable	211,938	0	211,938
Accounts Receivable	186,359	159,480	345,839
Intergovernmental Receivable	10,928	100,187	111,115
Prepaid Items	3,349	975	4,324
<i>Total Current Assets</i>	<u>727,342</u>	<u>441,063</u>	<u>1,168,405</u>
Noncurrent:			
Nondepreciable Capital Assets	84,000	132,600	216,600
Depreciable Capital Assets, Net	4,027,600	6,994,910	11,022,510
<i>Total Noncurrent Assets</i>	<u>4,111,600</u>	<u>7,127,510</u>	<u>11,239,110</u>
<i>Total Assets</i>	<u>4,838,942</u>	<u>7,568,573</u>	<u>12,407,515</u>
Liabilities			
Current:			
Accounts Payable	36,764	13,331	50,095
Accrued Wages and Benefits Payable	14,236	9,015	23,251
Accrued Interest Payable	35,938	64,921	100,859
Intergovernmental Payable	24,761	13,109	37,870
Tax Incremental Financing Bonds Payable	153,103	0	153,103
Mortgage Revenue Bonds Payable	98,500	0	98,500
OWDA Loans Payable	0	269,179	269,179
Compensated Absences Payable	15,943	12,538	28,481
<i>Total Current Liabilities</i>	<u>379,245</u>	<u>382,093</u>	<u>761,338</u>
Long-Term:			
Tax Incremental Financing Bonds Payable	1,012,222	0	1,012,222
Mortgage Revenue Bonds Payable	1,140,700	0	1,140,700
OWDA Loans Payable	0	1,311,053	1,311,053
Compensated Absences Payable	29,828	22,699	52,527
<i>Total Long-Term Liabilities</i>	<u>2,182,750</u>	<u>1,333,752</u>	<u>3,516,502</u>
<i>Total Liabilities</i>	<u>2,561,995</u>	<u>1,715,845</u>	<u>4,277,840</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,707,075	5,568,067	7,275,142
Unrestricted	569,872	284,661	854,533
<i>Total Net Assets</i>	<u>\$2,276,947</u>	<u>\$5,852,728</u>	<u>\$8,129,675</u>

See accompanying notes to the basic financial statements

City of Logan, Ohio
*Statement of Revenues, Expenses,
and Changes in Fund Net Assets*
Enterprise Funds
For the Year December 31, 2004

	Water	Sewer	Total Enterprise Funds
Operating Revenues			
Charges for Services	\$1,254,737	\$1,005,444	\$2,260,181
Other Operating Revenues	5,847	14,217	20,064
<i>Total Operating Revenues</i>	<u>1,260,584</u>	<u>1,019,661</u>	<u>2,280,245</u>
Operating Expenses			
Salaries and Wages	526,804	285,593	812,397
Fringe Benefits	152,768	114,727	267,495
Contractual Services	201,929	155,980	357,909
Materials and Supplies	151,728	17,467	169,195
Depreciation	138,406	206,744	345,150
<i>Total Operating Expenses</i>	<u>1,171,635</u>	<u>780,511</u>	<u>1,952,146</u>
<i>Operating Income</i>	<u>88,949</u>	<u>239,150</u>	<u>328,099</u>
Non-Operating Revenues (Expenses)			
Interest Income	639	0	639
Interest and Fiscal Charges	(121,647)	(116,220)	(237,867)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(121,008)</u>	<u>(116,220)</u>	<u>(237,228)</u>
<i>Income Before Contributions</i>	(32,059)	122,930	90,871
Capital Contributions	218,738	0	218,738
<i>Change in Net Assets</i>	186,679	122,930	309,609
<i>Net Assets at Beginning of Year - Restated (See Note 3)</i>	<u>2,090,268</u>	<u>5,729,798</u>	<u>7,820,066</u>
<i>Net Assets at End of Year</i>	<u><u>\$2,276,947</u></u>	<u><u>\$5,852,728</u></u>	<u><u>\$8,129,675</u></u>

See accompanying notes to the basic financial statements

City of Logan, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2004

	Water	Sewer	Total Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$1,251,832	\$1,007,265	\$2,259,097
Cash Payments for Employee Services and Benefits	(690,234)	(398,517)	(1,088,751)
Cash Payments to Suppliers for Goods and Services	(342,388)	(171,626)	(514,014)
Other Operating Revenues	5,847	14,217	20,064
<i>Net Cash Provided by Operating Activities</i>	<u>225,057</u>	<u>451,339</u>	<u>676,396</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(25,552)	(37,155)	(62,707)
Proceeds of Loans	0	13,013	13,013
Principal Paid on Debt	(239,992)	(243,910)	(483,902)
Interest Paid on Debt	(125,682)	(126,235)	(251,917)
Capital Contributions	173,573	0	173,573
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(217,653)</u>	<u>(394,287)</u>	<u>(611,940)</u>
Cash Flows from Investing Activities:			
Interest on Investments	639	0	639
<i>Net Increase in Cash and Cash Equivalents</i>	8,043	57,052	65,095
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>306,725</u>	<u>123,369</u>	<u>430,094</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$314,768</u>	<u>\$180,421</u>	<u>\$495,189</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
<i>Operating Income</i>	\$88,949	\$239,150	\$328,099
<i>Adjustments:</i>			
Depreciation	138,406	206,744	345,150
(Increase) Decrease in Assets:			
Accounts Receivable	(2,905)	1,812	(1,093)
Intergovernmental Receivable	0	9	9
Prepays Items	(2,182)	(624)	(2,806)
Increase (Decrease) in Liabilities:			
Accounts Payable	16,837	5,869	22,706
Accrued Wages and Benefits Payable	2,024	(234)	1,790
Compensated Absences Payable	(13,777)	3,817	(9,960)
Intergovernmental Payable	(2,295)	(5,204)	(7,499)
<i>Net Cash Provided by Operating Activities</i>	<u>\$225,057</u>	<u>\$451,339</u>	<u>\$676,396</u>

See accompanying notes to the basic financial statements

City of Logan, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2004

Assets

Cash and Cash Equivalents in Segregated Accounts	<u><u>\$36,389</u></u>
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Liabilities

Due to Others	<u><u>\$36,389</u></u>
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See accompanying notes to the basic financial statements

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 1 – Description of City and Reporting Entity

The City of Logan (the “City”) is a municipal corporation operating under the laws of the State of Ohio. In 1838, Logan was incorporated as a village. Logan was declared a city in 1893.

The municipal government is organized as a Mayor/Council form of government. Legislative power is vested in an eight-member council, each member elected to a two year term. The Mayor and the City Auditor are elected by the citizens of Logan for four year terms. The Mayor is the chief executive officer and the head of the administrative agencies of the City. He appoints all department heads. The City Auditor is responsible to the Mayor for the proper administration of all financial affairs of the City.

Reporting Entity

The financial reporting entity consists of the primary government, component units, and other governmental organizations included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Logan, this includes various services including police and fire protection, recreation (including parks), planning and zoning, street maintenance and repair, water and water pollution control, and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process and by the City Auditor and the City Mayor through administrative and managerial requirements and procedures.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent upon the City in that the City approves the budget, the issuance of debt, or the levying of taxes for the organization. No separate government units meet the criteria for inclusion as a component unit.

The City participates in a jointly governed organization and an insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the Basic Financial Statements. The organizations are:

Hocking Metropolitan Housing Authority
Hocking County Council on Aging, Incorporated
Hocking County Regional Planning Commission
Buckeye Hills-Hocking Valley Regional Development District
Ohio Municipal League City Equity Pooling Workers’ Compensation Group Rating Plan

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City of Logan have been prepared in conformity to generally accepted accounting principles (GAAP) as applied to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City’s accounting policies are described below.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

A. Basis of Presentation

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

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses 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 are the City's major governmental funds:

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

Street Construction and Maintenance Fund The Street Construction and Maintenance Fund is used to account for that portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The City's proprietary funds are all classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the City's enterprise funds are major funds.

Water Fund The Water Fund is used to account for the revenues generated from the charges for distribution of water to the residential and commercial users of the City.

Sewer Fund The Sewer Fund is used to account for the revenues generated from the charges for sanitary sewer services provided to the residential and commercial users of the City.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. There are four categories of fiduciary funds: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equals liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund. The City's agency fund accounts for payroll activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economics resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements 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 in 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. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in revenues, expenses, and 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 City finances and meets the cash flow needs of its proprietary activities.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenues, and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations are recognized in the 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 year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: municipal income taxes, hotel taxes, charges for services, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, fees, and rentals.

Deferred Revenue Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements were met have also been 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.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

E. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by Council. The legal level of control has been established by Council at the fund level. The City Auditor has been authorized to allocate appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate in effect when final appropriations for the year were adopted by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as final budgeted amounts represent the final appropriation amounts passed by Council during the year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2004, investments were limited to STAR Ohio, repurchase agreements, and certificates of deposit. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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 December 31, 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund; the Economic Development and Cemetery Trust Special Revenue Funds; and the Capital Improvements Capital Projects Fund. Interest revenue credited to the General Fund during 2004 amounted to \$19,486, which includes \$17,682 assigned from other City funds.

The City has a segregated bank account for monies used to meet payroll obligations held separate from the City's central bank account. The bank account is presented in the statement of fiduciary assets and liabilities as "Cash and Cash Equivalents in Segregated Accounts".

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 City are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market value as of the date received. The City maintains a capitalization threshold of five hundred dollars. The City's infrastructure consists of City streets, street signals, and water and sewer systems. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Land Improvements	15 - 50 Years
Buildings and Improvements	40 - 50 Years
Furniture, Fixtures, and Equipment	5 - 15 Years
Vehicles	5 - 15 Years
Infrastructure	15 - 40 Years

The City reports infrastructure acquired prior to the implementation of GASB 34, which is 2004.

I. Compensated Absences

The City accrued vacation benefits as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees who have worked beyond their probation period.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated, unused sick leave for all City employees with at least fifteen years of service.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not recorded. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

J. Contributions of Capital

Contributions of capital in the proprietary fund financial statements arise from grants or outside contributions of resources for capital acquisition or construction.

K. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, revolving loans, and endowments.

L. Interfund Transactions

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

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

M. Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds 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 special termination benefits 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. Long-term loans and bonds are recognized as a liability on the governmental fund financial statements when due.

N. Estimates

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

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

O. Net Assets

Net assets represent the difference between net 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 constitutional provisions or through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes includes activities related to the City's parks and pool, law enforcement, street and state highway maintenance and repairs, and cemetery endowments. The government-wide statement of net assets reports \$1,254,660 of restricted net assets, of which \$121,825 is restricted by enabling legislation.

The City applies restricted resources, including those restricted by enabling legislation, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer and water utilities. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting the definition are reported as nonoperating.

Note 3 – Changes in Accounting Principles and Restatement of Prior Year Fund Equity

Changes in Accounting Principles For the year ended December 31, 2004, the City 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 Statements Note Disclosures," GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," GASB Statement No. 41, "Budgetary Comparison Schedules – Perspective Differences," GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements," and GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

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

The government-wide financial statements split the City's programs between business-type activities and governmental activities. The beginning net asset amount for governmental activities reflects the changes in fund balance for governmental funds at December 31, 2003, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, 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. At December 31, 2003, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 City not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of this statement did not have any effect on the presentation of the City's budgetary financial statements for 2004.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

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 Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 39, GASB Statement No. 46, and GASB Technical Bulletin 2004-02 did not materially affect the presentation of the financial statements of the City.

Restatement of Net Assets/Fund Balances During 2004, there were restatements of fund equity for correction of prior year accrual balances resulting from the understatement of deferred revenue in the Capital Improvements Capital Projects Fund and for the incorrect recognition of payment in lieu of taxes receivable in the Debt Service Bond Retirement Fund. The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	General	Street	Capital Improvements	Nonmajor	Total
Fund Balances, December 31, 2003	\$395,385	\$33,490	\$726,466	\$598,588	\$1,753,929
Fund Reclassification	0	0	0	(1,143)	(1,143)
Intergovernmental Payable	(163,945)	(911)	0	(976)	(165,832)
Deferred Revenue Understatement	0	0	(50,464)	0	(50,464)
Interpretation 6	14,278	2,085	0	0	16,363
Adjusted Fund Balances, December 31, 2003	<u>\$245,718</u>	<u>\$34,664</u>	<u>\$676,002</u>	<u>\$596,469</u>	1,552,853
GASB 34 Adjustments:					
Capital Assets					6,761,779
Accrued Interest Payable					(257)
Long-Term Liabilities					(491,640)
Long-Term (Deferred) Assets					<u>580,753</u>
Governmental Activities Net Assets, December 31, 2003					<u>\$8,403,488</u>

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The transition from proprietary fund equity to net assets of the business-type activities is as follows:

	Water	Sewer	Total Business-Type Activities
Fund Equity, December 31, 2003	\$3,323,006	\$3,494,531	\$6,817,537
Fund Reclassification	88,336	0	88,336
Payment in Lieu of Taxes			
Receivable Reclassification	168,793	0	168,793
Intergovernmental Receivable			
Reclassification	8,908	0	8,908
Capital Asset Restatement	(185,552)	2,235,267	2,049,715
Accrued Interest Understatement	(1,806)	0	(1,806)
Long-Term Obligations Reclassification	(1,311,417)	0	(1,311,417)
Adjusted Net Assets, December 31, 2003	<u>\$2,090,268</u>	<u>\$5,729,798</u>	<u>\$7,820,066</u>

Note 4 – Accountability and Compliance

A. Fund Deficit

The Recreation Special Revenue Fund had a \$2,882 fund deficit resulting from the recognition of payables in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when the cash is needed rather than when the accruals occur.

B. Compliance

The following fund had appropriations in excess of estimated resources plus available balances for the year ended December 31, 2004:

	Resources	Appropriations	Excess
Fire Equipment Capital Projects Fund	\$39,405	\$85,000	(\$45,595)

The following fund had original appropriations in excess of estimated resources plus available balances for the year ended December 31, 2004:

	Resources	Appropriations	Excess
General Fund	\$2,783,341	\$3,017,175	(\$233,834)

Note 5 – Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP Basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) presented for the General Fund and each major special revenue 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:

City of Logan, Ohio
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For the Year Ended December 31, 2004

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance		
	General	Street Construction and Maintenance
GAAP Basis	\$1,060	\$24,414
Revenue Accruals	(67,988)	(3,540)
Expenditure Accruals	(11,114)	1,050
Beginning of the Year:		
Unreported Cash	370	0
Prepaid Items	3,405	0
End of Year:		
Prepaid Items	(3,208)	0
Encumbrances	(2,416)	0
Budget Basis	(\$79,891)	\$21,924

Note 6 – Deposits and Investments

State statutes classify money held by the City into three categories.

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

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

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

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

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreements exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. The State Treasurer's investment pool (STAROhio)

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 City, and must be purchased with the expectation that it will be held until 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.

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."

Cash on Hand At year end, the City had \$5,982 in unreported cash on hand which is included on the financial statements of the City as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits At year end, the carrying amount of the City's deposits was \$838,913 and the bank balance was \$884,577. Of the bank balance:

1. \$125,100 was covered by federal depository insurance; and
2. \$759,477 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the City's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Investments The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Investments in STAR Ohio, mutual funds, and money market accounts are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Carrying Amount	Fair Value
STAR Ohio	\$677,868	\$677,868

The classification of "Cash and Cash Equivalents" and "Investments" on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$1,457,729	\$65,034
Certificates of Deposit	65,034	(65,034)
Cash on Hand	(5,982)	0
STAR Ohio	(677,868)	677,868
GASB Statement 3	\$838,913	\$677,868

Note 7 – Receivables

Receivables at December 31, 2004, consisted primarily of municipal income taxes, property taxes, accounts (billings for user fees including unbilled utility services), loans, intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments. Loans receivable of \$76,817 and \$30,838 are reported in the Economic Development and Community Development Block Grant Special Revenue Funds, respectively, which represents low interest loans for development projects granted to eligible businesses under the Federal Economic Development Assistance and the Community Development Block Grant Programs. Management believes all receivables are fully collectible. No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. The amount not scheduled for collection during the subsequent year is \$102,647. All other receivables are expected to be collected within one year.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represent collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of the appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are twenty-five percent of true value for all property except inventory, which has a rate of twenty-three percent.

The full tax rate for all City operations for the year ended December 31, 2004, was \$3.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$90,013,870
Public Utility Real Property	12,700
Public Utility Tangible Personal Property	3,323,350
Tangible Personal Property	<u>16,466,181</u>
Total Assessed Value	<u><u>\$109,816,101</u></u>

Real property taxes are payable annually and 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 later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The Hocking County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Logan. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2004, and for which there is an enforceable legal claim.

In the governmental funds, the entire receivable has been offset by deferred revenue since current taxes were not levied to finance 2004 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent collectible property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

B. Income Taxes

The City levies a municipal income tax of 1.50 percent on substantially all earned income arising from employment, residency, or business activities within the City as well as income of residents earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to the full amount of the tax owed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual tax payers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used for the purposes of general municipal operations, aquatic center operations, maintenance, new equipment, extension and enlargement of municipal services and facilities, and capital improvements of the City of Logan.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

Governmental Activities:

Local Government	\$162,269
Estate Tax	81,792
Kilowatt Per Hour	2,082
Homestead and Rollback	25,323
Gasoline Tax	106,122
Motor Vehicle License Tax	33,037
Rural Transit Grant	8,446
COPS Grant	24,221
School Resource Officer Grant	16,867
Natureworks Grant	28,654
Miscellaneous	3,791

Total Governmental Activities	492,604
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Business-Type Activities:

Appalachian Regional Commission Grant	100,000
Homestead and Rollback	10,928
Miscellaneous	187

Total Business-Type Activities	111,115
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Total Intergovernmental Receivables	\$603,719
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Note 8- Risk Management

A. Property and Liability

The City 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. The City contracts with Wichert Insurance Services, for the following coverage limits and deductibles:

Property	Deductible	Limits of Coverage
Buildings and Contents	\$500	\$17,891,844
Boiler and Machinery	1,000	4,000,000
Employee Dishonesty	0	50,000
Crime Insurance	0	10,000
Automobile Liability	500	1,000,000
Uninsured Motorist	0	1,000,000
General Liability Per Occurrence	0	1,000,000
General Liability Aggregate Limit	0	2,000,000
Employee Benefits Liability	1,000	1,000,000
Employer's Liability Stop-Gap	0	1,000,000
Law Enforcement Liability	2,500	1,000,000
Public Officials Liability	2,500	1,000,000
Umbrella Coverage	0	1,000,000

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

B. Workers' Compensation

For 2004, the City participated in the Municipal League of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 17). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating entities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. The savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Each year the City pays an enrollment fee to the Plan to cover the costs of administering the program.

The City may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

Note 9 – Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance at 12/31/03	Additions	Deductions	Balance at 12/31/04
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$947,863	\$35,000	\$0	\$982,863
Depreciable Capital Assets:				
Land Improvements	3,975,476	0	0	3,975,476
Buildings and Improvements	1,717,090	34,400	0	1,751,490
Furniture, Fixtures, and Equipment	1,429,991	46,515	0	1,476,506
Vehicles	985,477	58,842	0	1,044,319
City Streets	5,721,131	0	0	5,721,131
Street Signals	781,163	0	0	781,163
Total Depreciable Capital Assets	14,610,328	139,757	0	14,750,085
Less Accumulated Depreciation:				
Land Improvements	1,371,467	78,264	0	1,449,731
Buildings and Improvements	560,026	35,555	0	595,581
Furniture, Fixtures, and Equipment	1,031,883	63,798	0	1,095,681
Vehicles	635,148	42,234	0	677,382
City Streets	4,433,883	286,057	0	4,719,940
Street Signals	764,005	800	0	764,805
Total Accumulated Depreciation	8,796,412	506,708 *	0	9,303,120
Total Capital Assets being Depreciated, Net	5,813,916	(366,951)	0	5,446,965
Governmental Activities Capital Assets, Net	\$6,761,779	(\$331,951)	\$0	\$6,429,828

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

*Depreciation expense was charged to governmental programs as follows:

General Government	\$62,874
Security of Persons and Property:	
Police	38,143
Fire	35,989
Transportation	314,649
Leisure Time Activities	39,752
Public Health Services	<u>15,301</u>
Total Depreciation Expense	<u><u>\$506,708</u></u>

	Balance at 12/31/03	Additions	Deductions	Balance at 12/31/04
Business-Type Activities:				
Capital Assets not being Depreciated				
Land	\$216,600	\$0	\$0	\$216,600
Total Capital Assets not being Depreciated	<u>216,600</u>	<u>0</u>	<u>0</u>	<u>216,600</u>
Depreciable Capital Assets:				
Land Improvements	61,168	0	0	61,168
Furniture, Fixtures, and Equipment	614,052	56,808	0	670,860
Vehicles	175,618	0	0	175,618
Infrastructure	<u>15,579,320</u>	<u>0</u>	<u>0</u>	<u>15,579,320</u>
Total Capital Assets being Depreciated	<u>16,430,158</u>	<u>56,808</u>	<u>0</u>	<u>16,486,966</u>
Less Accumulated Depreciation:				
Land Improvements	46,119	1,585	0	47,704
Furniture, Fixtures, and Equipment	371,388	39,377	0	410,765
Vehicles	87,427	17,279	0	104,706
Infrastructure	<u>4,614,372</u>	<u>286,909</u>	<u>0</u>	<u>4,901,281</u>
Total Accumulated Depreciation	<u>5,119,306</u>	<u>345,150</u>	<u>0</u>	<u>5,464,456</u>
Total Capital Assets being Depreciated, Net	<u>11,310,852</u>	<u>(288,342)</u>	<u>0</u>	<u>11,022,510</u>
Business-Type Activities Capital Assets, Net	<u><u>\$11,527,452</u></u>	<u><u>(\$288,342)</u></u>	<u><u>\$0</u></u>	<u><u>\$11,239,110</u></u>

Note 10 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional pension plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or 800-222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional pension plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional pension and combined plans for the years ended December 31, 2004, 2003, and 2002, were \$169,400, \$129,321, and \$126,627 respectively; 77.19 percent has been contributed for 2004 and 100 percent for 2003 and 2002. There were no member-directed plan contributions for 2004 for the City of Logan.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations, while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for years ended December 31, 2004, 2003, and 2002, were \$145,911, \$142,664, and \$116,679 respectively, equal to the required contributions for each year. The full amount has been contributed for 2003 and 2002. 72.39 has been contributed for 2004 with the remainder being reported as a liability.

Note 11 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional pension or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent (16.70 percent for both the public safety and law enforcement divisions) of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional pension and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$70,953. Actual contribution and actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$53,573 for police and \$30,851 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

Note 12- Employee Benefits

A. Insurance

In 2004, the City contracted with Nationwide Health Plan to provide all employees with \$25,000 each in life and accidental death and dismemberment insurance, except for the fire department employees who receive \$15,000 each in coverage.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

B. Compensated Absences

The criteria for determining vested sick leave benefits are derived from negotiated agreements and State laws. Upon retirement, all employees with fifteen or more years of service with the City and are paid twenty-five percent of their sick leave up to a maximum accumulation of 480 hours. Upon voluntary termination, death or retirement, all employees will receive 100% of vacation earned and not previously taken.

Note 13 – Capital Leases – Lessee Disclosure

In previous years, the City entered into capitalized lease agreements for a backhoe. The lease meets the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments made from governmental funds have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program expenditures on a budgetary basis.

The final payment was made and the lease was retired during 2004.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Machinery and Equipment	\$50,679
Less: Accumulated Depreciation	<u>(8,447)</u>
Total	<u><u>\$42,232</u></u>

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 14 – Long Term Obligations

A schedule of changes in long-term obligations of the City during 2004 follows:

	Principal Outstanding 12/31/03	Additions	Deductions	Principal Outstanding 12/31/04	Amounts Due in One Year
Business-Type Activities:					
1992 OWDA Sewer Plant Improvements Loan - 8.31%	\$1,803,353	\$0	\$243,910	\$1,559,443	\$264,179
2003 OWDA Sewer Planning Loan - 1.00%	7,776	13,013	0	20,789	5,000
Total OWDA Loans	1,811,129	13,013	243,910	1,580,232	269,179
2002 Wal-Mart Tax Increment Financing Bonds - 4.50%	1,011,417	0	118,725	892,692	124,407
2003 Holiday Inn Tax Increment Financing Bonds - 4.80%	300,000	0	27,367	272,633	28,696
Total Tax Increment Financing Bonds	1,311,417	0	146,092	1,165,325	153,103
1995 Mortgage Revenue Bonds: Water System - 5.00%	1,333,100	0	93,900	1,239,200	98,500
Compensated Absences	90,968	12,278	22,238	81,008	28,481
Total Business-Type Activities	\$4,546,614	\$25,291	\$506,140	\$4,065,765	\$549,263
Governmental Activities:					
2001 State Infrastructure Bank Loan - 3.00%	\$160,166	\$0	\$62,522	\$97,644	\$64,570
2003 Cropper Land Contract - 0.00%	100,000	0	25,000	75,000	25,000
2004 Carper Land Contract - 0.00%	0	35,000	7,000	28,000	7,000
Capital Leases	8,000	0	8,000	0	0
Compensated Absences	223,474	9,654	4,777	228,351	98,761
Total Governmental Activities	\$491,640	\$44,654	\$107,299	\$428,995	\$195,331

Principal and interest requirements to retire the Sewer Plant Improvements OWDA Loan liabilities at December 31, 2004, are as follows:

Year Ended December 31,	Principal	Interest	Total
2005	\$264,179	\$129,590	\$393,769
2006	286,133	107,636	393,769
2007	309,910	83,859	393,769
2008	335,664	58,105	393,769
2009	363,557	30,212	393,769
	\$1,559,443	\$409,402	\$1,968,845

The loan, originally issued for \$2,769,311, represents amounts borrowed from the Ohio Water Development Authority for the construction of the wastewater treatment facility. The loan will be paid from the Sewer Enterprise Fund.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The OWDA Sewer Planning Loan, authorized in the amount of \$25,000, is being used to study the feasibility of major renovations and improvements to the City's sewer treatment facility. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt. This loan has not been fully drawn down as of December 31, 2004, and therefore, an amortization schedule has not been established.

Principal and interest requirements to retire the Water Enterprise Fund's tax increment financing bonds liabilities at December 31, 2004, are as follows:

Year Ended December 31,	Principal	Interest	Total
2005	\$153,103	\$51,964	\$205,067
2006	160,222	44,846	205,068
2007	167,672	37,396	205,068
2008	175,469	29,599	205,068
2009	183,628	21,440	205,068
2010-2012	325,231	18,894	344,125
	<u>\$1,165,325</u>	<u>\$204,139</u>	<u>\$1,369,464</u>

The tax increment financing bonds, originally issued for \$1,500,000, represents amounts issued for the purpose of improving and extending existing water service lines. The bonds will be repaid by property tax revenues through the Water Enterprise Fund.

Principal and interest requirements to retire the City's mortgage revenue bonds outstanding at December 31, 2004, are as follows:

Year Ended December 31,	Principal	Interest	Total
2005	\$98,500	\$61,960	\$160,460
2006	103,500	57,035	160,535
2007	108,700	51,860	160,560
2008	114,000	46,425	160,425
2009	119,700	40,725	160,425
2010-2014	694,800	107,610	802,410
	<u>\$1,239,200</u>	<u>\$365,615</u>	<u>\$1,604,815</u>

The mortgage revenue bond, originally issued for \$2,000,000, represents amounts borrowed from the Farmer's Home Administration for the purpose of improving the water system. The bonds will be repaid from Water Enterprise Fund revenue.

Principal and interest requirements to retire the City's State Infrastructure Bank Loan liability at December 31, 2004, are as follows:

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Year Ended December 31,	Principal	Interest	Total
2005	\$64,570	\$2,653	\$67,223
2006	33,074	537	33,611
	<u>\$97,644</u>	<u>\$3,190</u>	<u>\$100,834</u>

The State Infrastructure Bank loan, originally issued for \$184,677, represents amounts borrowed for the purpose of improving Hunter Street. The loan will be paid from income tax revenues through the Capital Improvements Fund.

Principal requirements to retire the City's Land Contracts outstanding at December 31, 2004, are as follows:

Year Ended December 31,	Principal
2005	\$32,000
2006	32,000
2007	32,000
2008	7,000
	<u>\$103,000</u>

The two Land Contracts, originally issued in the amounts of \$125,000 between the City and Harold Crosper, and \$35,000 between the City and Jerry Carper, represents land purchased for the future construction of a new City Garage. The contracts will be paid from income tax revenues through the Capital Improvements Fund.

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Street Construction and Maintenance Special Revenue Fund, and the Water and Sewer Enterprise Funds.

The City's overall legal debt margin was \$11,530,691 at December 31, 2004.

Note 15 – Interfund Transactions

Transfers made during 2004 were as follows:

Transfer from	Transfer to		Total
	General	Other Nonmajor Governmental	
General Fund	\$0	\$56,000	\$56,000
Capital Improvements	150,000	0	150,000
Other Nonmajor Governmental	0	38,000	38,000
Total All Funds	<u>\$150,000</u>	<u>\$94,000</u>	<u>\$244,000</u>

General Fund transfers are made to move unrestricted balances to support programs or projects accounted for in other funds; to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to spend them; and to move receipts restricted for capital improvements to the General Fund to finance current operations.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Pursuant to Ohio Revised Code Section 5705.16, the City received approval for the transfer from the Capital Improvements Capital Projects Fund to the General Fund from the Board of Tax Appeal and the Hocking County Court of Common Pleas.

Note 16 – Jointly Governed Organization

A. Hocking Metropolitan Housing Authority

The Hocking Metropolitan Housing Authority is an organization established to provide adequate public housing for low income individuals and was created pursuant to State statutes. The Authority is operated by a five member board. Two members are appointed by the Mayor of the City of Logan, one member is appointed by the probate court judge, one member is appointed by the common pleas court judge, and one member is appointed by Hocking County Commissioners. The Authority receives funding from the Federal Department of Housing and Urban Development. The board sets its own budget and selects its own management, and the City is not involved in the management or operation. The City is not financially accountable for the Authority.

B. Hocking County Council on Aging, Incorporated

The Hocking County Council on Aging is a non-profit organization that has an objective of assisting elderly citizens with needs, problems, and opportunities. The Council is governed by a sixteen member board of directors. Board members include representatives from the Hocking County Commissioners, local government units, and agencies including the City of Logan and local organizations. One-third of the members are elderly residents. The board has total control over budgeting, personnel, and all other financial matters. The continued existence of the Council is not dependent on the City's continued participation and no equity interest exists. The Council has no outstanding debt.

C. Hocking County Regional Planning Commission

The City participates in the Hocking County Regional Planning Commission, which is a statutorily created political subdivision of the State. The Commission is governed by a nine member board composed of the Mayor of the City of Logan, the three Hocking County Commissioners, the County Engineer, the County Sanitarian, and three individuals from the public sector. Each member's control over the operation of the Commission is limited to its representation of the board. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of Hocking County. In 2004, the City did not contribute any money to the Commission. Continued existence is not dependent on the City's continued participation, no equity interest exists, and no debt is outstanding.

D. Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Development District serves Hocking, Athens, Meigs, Monroe, Washington, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and implementing plans and programs. The District is governed by a general policy council which is composed of the mayor of each city and county seat and one county commissioner from each county maintaining membership which is 2/3 of the council and the remaining 1/3 shall be composed of private citizens. The Mayor of Logan serves on this council. The council approves the budget, memberships, by-laws, plans, policy statements, service programs, and actions of the executive committee. The fifteen member executive committee is composed of one County Commissioner from each County, one member from the City of Athens, one member from the City of Marietta, four at large members appointed from the ten government members, and one member from the minority sector. The committee's duties include recommending the budget, by-law amendments, plans, policy statements, and service programs to the council. The committee acts on behalf of the council between council sessions.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The District administers County Community Development Block Grant and Issue II monies. The continued existence of the District is not dependent on the City's continued participation and no equity interest exists.

Note 17 – Insurance Purchasing Pool

The City is a participant in the Municipal League of Ohio Workers' Compensation Group Rating Program (Program), as insurance purchasing pool. The Program's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayor's, two council members, three administrators, three finance officers, and three law directors which are voted on by the members for staggered two year terms. The Executive Director of the Ohio Municipal League serves as coordinator of the Program. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the Program.

Note 18 – Contingent Liabilities

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2004.

B. Litigation

The City is currently not party to any litigation.

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Members of Council
City of Logan
10 South Mulberry Street
Logan, Ohio 43138

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Logan, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City of Logan's basic financial statements and have issued our report thereon dated August 23, 2005, wherein we noted the City adopted *Governmental Accounting Standards Board Statement No. 34*. 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 of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated August 23, 2005.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001, 2004-002 and 2004-003.

Members of Council
City of Logan, Ohio
Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

This report is intended for the information and use of the members of Council and management, and is not intended to be and should not be used by anyone other than these specified parties.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG & ASSOCIATES, INC.

August 23, 2005

CITY OF LOGAN, OHIO
Schedule of Findings
For the Year Ended December 31, 2004

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

Finding Number 2004-001

Section 5705.36 of the Ohio Revised Code, in summary, states that each subdivision is allowed to request increased or decreased amended certificates of estimated resources upon determination of the fiscal officer that revenue collected will be greater or less than the amount in the official certificate of estimated resources.

The City had several funds that had estimated resources that were more than the actual amounts received during the year. This could lead to the City appropriating more than is actually available to spend in these same funds. This violation occurred by a material amount in the following funds: Capital Improvements Capital Projects Fund, Fire Equipment Purchase Capital Projects Fund, and the Water Enterprise Fund.

We recommend that the City closely monitor the receipts of each fund and when it is determined that receipts will fall short of estimates, that a request for amended certificate be filed and an amendment to the appropriations be made, if needed, to prevent any fund from being overspent.

Finding Number 2004-002

Section 5705.41(D) of the Ohio Revised Code, in summary, states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. An exception to the requirements of this section permits the issuance of a Then and Now Certificate if the fiscal officer can certify that both at the time the contract or order was made and at the time that the certification is completed, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance. Certification is required before the City can authorize payment of the obligation. During the year, several items were ordered and the City paid for these items without a properly approved or certified purchase order.

We found that 46.6% of the expenditures tested for the City did not have a properly approved and certified purchase order. All purchases of the City should be approved by the Service Director through a detailed purchase order before items are ordered. The purchase order should also be approved by the Auditor to certify that the funds are available before items are ordered. If purchase orders are not obtained before items are ordered, the Auditor should issue a Then and Now Certificate before any payment is made. Payments made without following these guidelines are a violation of the Ohio Revised Code section noted above.

We recommend that the City closely monitor purchases and be sure that either a properly approved purchase order or Then and Now Certificate is filed prior to payment being made.

CITY OF LOGAN, OHIO
Schedule of Findings
For the Year Ended December 31, 2004

Finding Number 2004-003

Section 5705.39 of the Ohio Revised Code, in summary, states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The City's adopted appropriations exceeded the estimated resources in the General Fund and Fire Equipment Capital Projects Fund. The City failed to obtain an amended certificate of estimate resources, which resulted in monies being appropriated that exceeded the estimated resources. This practice could lead to funds being overspent during the year.

We recommend that the City closely monitor the appropriations to be sure that they do not exceed estimated resources of each fund.

CITY OF LOGAN, OHIO
Corrective Action Plan
For the Year Ended December 31, 2004

The City has developed the following corrective action plan to address the findings contained in the schedule of findings.

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-01	The City Auditor will review the sufficiency of the estimated resources on a more regular basis.	Immediately	Kim Miller, Auditor
2004-02	The City has a purchasing policy in place, which requires properly approved purchase orders for all purchases over \$100. The City Auditor will monitor the purchasing process more closely so that all purchases are properly approved prior to payment being made.	Immediately	Kim Miller, Auditor
2004-03	The City Auditor will compare appropriations with the estimated resources on a more regular basis.	Immediately	Kim Miller, Auditor

CITY OF LOGAN, OHIO
Schedule of Prior Audit Findings
For the Year Ended December 31, 2004

Description	Status	Comments
Government Auditing Standards:		
1. ORC 5705.36 - estimated resources should not exceed actual revenue.	Not Corrected	The Auditor will monitor more closely.
2. ORC 5705.41(D) - no purchase is to be made without a certificate of the fiscal officer saying the amount has been appropriated.	Not Corrected	The Auditor will monitor more closely.
3. Fixed Assets - District's fixed asset accounting system needs to be maintained up to date.	Partially Corrected	Reissued as a Management Letter Comment.



**Auditor of State
Betty Montgomery**

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

CITY OF LOGAN

HOCKING 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
OCTOBER 6, 2005**