



**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**



**Auditor of State  
Betty Montgomery**



**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benjamin Logan Local School District, Logan County, (the District), as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General and Emergency Levy Funds thereof for the fiscal year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

**Betty Montgomery**  
Auditor of State

November 16, 2006

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

The discussion and analysis of the Benjamin Logan Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2006 are as follows:

- In total, net assets decreased \$579,587 during fiscal year 2006. The main factor that contributed to the net asset decrease is a change in tax code brought about with the passage of House Bill 66.
- General revenues accounted for \$15,630,912 or 84 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,983,857, or 16 percent of total revenues of \$18,614,769.
- The District's major funds included the General Fund, the Bond Retirement Fund, and the Emergency Levy Fund. The General Fund had \$13,645,032 in receipts and other financing sources and \$13,108,756 in disbursements and other financing uses. The Bond Retirement Fund had \$1,779,496 in receipts and \$1,768,240 in disbursements. The Emergency Levy Fund had \$1,566,577 in receipts and \$2,701,993 in disbursements.
- An increase in pupil transportation was mainly due to increased fuel costs, approximately \$32,299 or 21%, and to the fact that the District purchased four new buses during fiscal year 2006.
- The District increased its facility acquisitions and construction cost due to many expenditures during fiscal year 2006. The district built a new soccer field with a concession stand/press box building. The district also completed the softball concession stand.

**Using the Basic Financial Statements**

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 District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities, both reported on the cash basis, provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide 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. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For the District, the General Fund is the most significant fund. The General Fund, the Bond Retirement Fund, and the Emergency Levy Fund are the District's major funds.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
Unaudited  
(Continued)**

**Reporting the District as a Whole**

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

The statement of net assets and the statement of activities, both reported on the cash basis, reflects how the District did financially during fiscal year 2006. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets, cash basis, and the statement of activities, cash basis, the District discloses a single type of activity - governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

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

**Fund Financial Statements**

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds are the General Fund, the Bond Retirement Fund, and the Emergency Levy Fund.

**Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the cash basis of accounting.



**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2006. The decrease in current assets was attributed to the decrease in property taxes revenue.

**Table 1  
Net Assets - Cash Basis  
Governmental Activities**

	<b>2006</b>	<b>2005</b>
<b>Assets:</b>		
Current and Other Assets	\$6,309,582	\$6,889,169
Total Assets	<u>6,309,582</u>	<u>6,889,169</u>
<b>Net Assets:</b>		
Restricted	2,994,214	4,034,555
Unrestricted	3,315,368	2,854,614
Total	<u>\$6,309,582</u>	<u>\$6,889,169</u>

Table 2 reflects the changes in net assets for fiscal year 2006. Property tax revenue decreased significantly during fiscal year 2006.

**Table 2  
Change in Net Assets - Cash Basis  
Governmental Activities**

	<b>2006</b>	<b>2005</b>
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services and Sales	\$1,808,262	\$1,693,713
Operating Grants, Contributions and Interest	1,175,595	1,140,746
Capital Grants and Contributions		17,325
Total Program Revenues	<u>2,983,857</u>	<u>2,851,784</u>
<b>General Revenues:</b>		
Property Taxes	9,289,015	10,160,365
Grants and Entitlements	5,987,358	6,165,034
Gifts and Donations	13,043	23,307
Investment Earnings	286,857	122,517
Miscellaneous	54,639	20,733
General Obligation Bonds Issued		6,027,170
Proceeds from Sale of Fixed Assets		133,302
Premium on Sale of Bonds		149,315
Total General Revenues	<u>15,630,912</u>	<u>22,801,740</u>
Total Revenues	<u>18,614,769</u>	<u>25,653,524</u>

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
Unaudited  
(Continued)**

<b>Expenses:</b>		
<b>Instruction</b>	9,485,902	9,086,357
<b>Support Services:</b>		
Pupils	512,764	501,488
Instructional Staff	709,406	631,938
Board of Education	63,431	57,986
Administration	1,744,991	1,679,762
Fiscal	401,104	457,356
Operation and Maintenance of Plant	1,411,587	1,388,941
Pupil Transportation	1,344,491	1,359,305
Central	253,535	240,811
Non-Instructional	708,397	682,401
Extracurricular Activities	455,173	478,765
Capital Outlay	340,758	599,424
Principal	1,557,768	1,543,653
Interest and Fiscal Charges	205,049	241,530
Bond Issuance Costs		115,472
Payment to Refunding Bond Escrow Agent		6,061,010
Total Expenses	<u>19,194,356</u>	<u>25,126,199</u>
Increase/(Decrease) in Net Assets	<u>(\$579,587)</u>	<u>\$527,325</u>

Program receipts account for 16 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 49 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 13 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 7 percent. The remaining 31 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

**Governmental Activities**

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities, modified cash basis, reflects the cost of program service and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
Unaudited  
(Continued)**

**Table 3  
Governmental Activities**

	<b>Total Cost of</b>	<b>Net Cost of</b>	<b>Total Cost of</b>	<b>Net Cost of</b>
	<b>Services</b>	<b>Services</b>	<b>Services</b>	<b>Services</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
Instruction	\$9,485,902	\$7,702,996	\$9,086,357	\$7,052,778
Support Services:				
Pupils	512,764	366,740	501,488	379,519
Instructional Staff	709,406	588,700	631,938	631,938
Board of Education	63,431	63,431	57,986	57,986
Administration	1,744,991	1,654,413	1,679,762	1,679,762
Fiscal	401,104	401,104	457,356	457,356
Operation and	1,411,587	1,411,587	1,388,941	1,388,941
Maintenance of Plant				
Pupil Transportation	1,344,491	1,341,652	1,359,305	1,359,305
Central	253,535	237,886	240,811	225,579
Non-Instructional	708,397	(8,934)	682,401	106,061
Extracurricular Activities	455,173	347,349	478,765	374,101
Capital Outlay	340,758	340,758	599,424	599,424
Principal	1,557,768	1,557,768	1,543,653	1,543,653
Interest and Fiscal	205,049	205,049	241,530	241,530
Charges				
Bond Issuance Costs			115,472	115,472
Payment to Refunding			6,061,010	6,061,010
Bond Escrow Agent				
Total Expenses	<u>\$19,194,356</u>	<u>\$16,210,499</u>	<u>\$25,126,199</u>	<u>\$22,274,415</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 81 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 84 percent. The remaining 16 percent are derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. The District's major government funds are the General Fund, the Bond Retirement Fund, and the Emergency Levy Fund. Total governmental funds had receipts of \$18,624,855 and disbursements of \$19,204,442. The net negative change of \$579,587 in fund balance for the fiscal year indicates that the District had difficulty in meeting current costs.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006, the District amended its General Fund budget as needed. Final budgeted receipts were in the amount of \$12,319,600 were the same as the original budget. Actual receipts of \$13,645,032 were \$1,325,432 greater than budgeted. Final expenditures were budgeted at \$13,592,167 while actual expenditures were \$13,329,437.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
Unaudited  
(Continued)**

**Debt Administration**

At June 30, 2006, the District had \$6,209,534 in general obligation bonds for the 2005 advanced refunding of the 1993, 1994, and 1997 issues. The bonds were issued for a ten-year period with final maturity on December 1, 2014. The bonds are retired from the Bond Retirement Fund.

At June 30, 2006, the District's overall legal debt margin was \$18,710,169, with an un-voted debt margin of \$276,886.

For further information regarding the District's debt, see Note 8 to the basic financial statements.

**Current Issues**

The challenge for all school districts is to provide a quality education with limited revenue growth. This is even more challenging for a rural district such as Benjamin Logan Local Schools. With mainly one industry, whose Tangible Personal Property tax is being replaced with the HB 66 approved CAT tax that flows through the state, the District must rely on local taxes and state support even further for future revenue growth. The five-year forecast is predicting a deficit for fiscal year 2009.

The District has been an effective school district over the last four years, which is among the top 15% of schools statewide. This academic success has been achieved by staff and administration dedication to improvement, an increase in professional development, and community support.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to Robert Kuehnle, Treasurer, Benjamin Logan Local School District, 4740 County Road 26, Bellefontaine, OH 43311-9532.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2006**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,309,582</u>
Total Assets	<u><u>6,309,582</u></u>
<b>Net Assets:</b>	
Restricted for:	
Debt Service	768,400
Set Asides	75,522
Other Purposes	2,150,292
Unrestricted	<u>3,315,368</u>
Total Net Assets	<u><u>\$6,309,582</u></u>

*See accompanying notes to the basic financial statements.*

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Program Cash Receipts</u>			<u>Net(Expense)</u>
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$6,492,276	\$866,300	\$104,838	(\$5,521,138)
Special	1,403,109	76,782	645,512	(680,815)
Vocational	534,633		89,474	(445,159)
Other	1,055,884			(1,055,884)
<b>Support Services:</b>				
Pupils	512,764	141,608	4,416	(366,740)
Instructional Staff	709,406		120,706	(588,700)
Board of Education	63,431			(63,431)
Administration	1,744,991		90,578	(1,654,413)
Fiscal	401,104			(401,104)
Operation and Maintenance of Plant	1,411,587			(1,411,587)
Pupil Transportation	1,344,491		2,839	(1,341,652)
Central	253,535		15,649	(237,886)
Operation of Non-Instructional Services	708,397	615,748	101,583	8,934
Extracurricular Activities	455,173	107,824		(347,349)
Capital Outlay	340,758			(340,758)
Debt Service:				
Principal	1,557,768			(1,557,768)
Interest and Fiscal Charges	205,049			(205,049)
Totals	<u>\$19,194,356</u>	<u>\$1,808,262</u>	<u>\$1,175,595</u>	<u>(16,210,499)</u>

**General Revenues:**

Property Taxes Levied for:	
General Purposes	6,396,743
Debt Service	1,538,020
Emergency Levy	1,354,252
Grants and Entitlements not Restricted to Specific Programs	5,987,358
Gifts and Donations	13,043
Investment Earnings	286,857
Miscellaneous	54,639
Total General Revenues	<u>15,630,912</u>
Change in Net Assets	(579,587)
Net Assets Beginning of Year	<u>6,889,169</u>
Net Assets End of Year	<u>\$6,309,582</u>

See accompanying notes to the basic financial statements.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<u>General</u>	<u>Bond Retirement</u>	<u>Emergency Levy</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$3,315,368	\$768,400	\$1,840,111	\$310,181	\$6,234,060
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	<u>75,522</u>				<u>75,522</u>
Total Assets	<u>3,390,890</u>	<u>768,400</u>	<u>1,840,111</u>	<u>310,181</u>	<u>6,309,582</u>
<b>Fund Balances</b>					
Reserve for Encumbrances	220,681		4,400	19,918	244,999
Reserve for Budget Stabilization	75,522				75,522
Unreserved, Undesignated, Reported in:					
General Fund	3,094,687				3,094,687
Special Revenue Funds			1,835,711	290,263	2,125,974
Debt Service Funds		<u>768,400</u>			<u>768,400</u>
Total Fund Balances	<u>\$3,390,890</u>	<u>\$768,400</u>	<u>\$1,840,111</u>	<u>\$310,181</u>	<u>\$6,309,582</u>

*See accompanying notes to the basic financial statements.*

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Bond Retirement</u>	<u>Emergency Levy</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$6,396,743	\$1,538,020	\$1,354,252		\$9,289,015
Intergovernmental	5,968,690	241,476	212,325	740,462	7,162,953
Interest	281,120			5,737	286,857
Tuition and Fees	941,336			465	941,801
Rent	1,746				1,746
Extracurricular Activities				248,967	248,967
Gifts and Donations				13,043	13,043
Customer Sales and Services				615,748	615,748
Miscellaneous	<u>53,077</u>			<u>1,562</u>	<u>54,639</u>
Total Cash Receipts	13,642,712	1,779,496	1,566,577	1,625,984	18,614,769
<b>Cash Disbursements:</b>					
Current:					
Instruction:					
Regular	4,351,104		2,037,695	103,477	6,492,276
Special	1,101,472		6,300	295,337	1,403,109
Vocational	525,691			8,942	534,633
Other	1,055,884				1,055,884
Support Services:					
Pupils	358,584			154,180	512,764
Instructional Staff	593,162			116,244	709,406
Board of Education	63,431				63,431
Administration	1,205,067		448,721	91,203	1,744,991
Fiscal	338,855	32,823	29,426		401,104
Operation and Maintenance of Plant	1,411,587				1,411,587
Pupil Transportation	1,164,640		179,851		1,344,491
Central	230,120			23,415	253,535
Operation of Non-Instructional Services				708,397	708,397
Extracurricular Activities	333,235			121,938	455,173
Capital Outlay	340,758				340,758
Debt Service:					
Principal	19,837	1,537,931			1,557,768
Interest	7,563	197,486			205,049
Total Cash Disbursements	<u>13,100,990</u>	<u>1,768,240</u>	<u>2,701,993</u>	<u>1,623,133</u>	<u>19,194,356</u>
Revenues Over (Under) Expenditures	<u>541,722</u>	<u>11,256</u>	<u>(1,135,416)</u>	<u>2,851</u>	<u>(579,587)</u>
<b>Other Financing Sources/(Uses):</b>					
Transfers In				7,766	7,766
Advances In	2,320				2,320
Transfers Out	(7,766)				(7,766)
Advances Out				(2,320)	(2,320)
Total Other Financing Sources and Uses	<u>(5,446)</u>			<u>5,446</u>	
Net Change in Fund Balances	536,276	11,256	(1,135,416)	8,297	(579,587)
Fund Balances at Beginning of Year	<u>2,854,614</u>	<u>757,144</u>	<u>2,975,527</u>	<u>301,884</u>	<u>6,889,169</u>
Fund Balances at End of Year	<u>\$3,390,890</u>	<u>\$768,400</u>	<u>\$1,840,111</u>	<u>\$310,181</u>	<u>\$6,309,582</u>

See accompanying notes to the basic financial statements.



**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$5,430,000	\$5,430,000	\$6,396,743	\$966,743
Intergovernmental	5,997,500	5,997,500	5,968,690	(28,810)
Interest	100,000	100,000	281,120	181,120
Tuition and Fees	730,250	730,250	941,336	211,086
Rent	1,000	1,000	1,746	746
Gifts and Donations	100	100		(100)
Miscellaneous	60,650	60,650	53,077	(7,573)
<b>Total Cash Receipts</b>	<b>12,319,500</b>	<b>12,319,500</b>	<b>13,642,712</b>	<b>1,323,212</b>
<b>Cash Disbursements:</b>				
Current:				
Instruction:				
Regular	5,657,908	4,338,898	4,367,025	(28,127)
Special	964,710	1,132,152	1,110,103	22,049
Vocational	537,427	540,360	525,691	14,669
Other	1,073,000	1,073,000	1,057,384	15,616
Support Services:				
Pupils	340,481	403,429	363,013	40,416
Instructional Staff	519,230	610,892	593,431	17,461
Board of Education	90,724	90,724	69,106	21,618
Administration	1,149,020	1,237,981	1,208,607	29,374
Fiscal	358,650	364,665	339,720	24,945
Operation and Maintenance of Plant	1,389,654	1,482,201	1,453,942	28,259
Pupil Transportation	1,001,360	1,151,858	1,187,680	(35,822)
Central	258,055	295,838	242,687	53,151
Extracurricular Activities	386,687	396,776	333,472	63,304
Capital Outlay	111,368	445,993	442,410	3,583
Debt Service:				
Principal		19,837	19,837	
Interest		7,563	7,563	
<b>Total Cash Disbursements</b>	<b>13,838,274</b>	<b>13,592,167</b>	<b>13,321,671</b>	<b>270,496</b>
<b>Receipts Over (Under) Disbursements</b>	<b>(1,518,774)</b>	<b>(1,272,667)</b>	<b>321,041</b>	<b>1,593,708</b>
<b>Other Financing Sources/(Uses):</b>				
Advances In			2,320	2,320
Proceeds from Sale of Capital Assets	100	100		(100)
Transfers Out			(7,766)	(7,766)
<b>Total Other Financing Sources and Uses</b>	<b>100</b>	<b>100</b>	<b>(5,446)</b>	<b>(5,546)</b>
<b>Change in Fund Balances</b>	<b>(1,518,674)</b>	<b>(1,272,567)</b>	<b>315,595</b>	<b>1,588,162</b>
Fund Balance at Beginning of Year	2,707,523	2,707,523	2,707,523	
Prior Year Encumbrances Appropriated	147,091	147,091	147,091	
<b>Fund Balance at End of Year</b>	<b>\$1,335,940</b>	<b>\$1,582,047</b>	<b>\$3,170,209</b>	<b>\$1,588,162</b>

See accompanying notes to the basic financial statements.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL - EMERGENCY LEVY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$1,283,000	\$1,283,000	\$1,354,252	\$71,252
Intergovernmental	117,000	117,000	212,325	95,325
<b>Total Cash Receipts</b>	<b>1,400,000</b>	<b>1,400,000</b>	<b>1,566,577</b>	<b>166,577</b>
<b>Cash Disbursements:</b>				
Current:				
Instruction:				
Regular	2,669,850	2,679,850	2,042,095	637,755
Special	11,000	11,000	6,300	4,700
Support Services:				
Fiscal	50,000	50,000	29,426	20,574
Administration	425,000	425,000	448,721	(23,721)
Pupil Transportation	235,000	225,000	179,851	45,149
<b>Total Cash Disbursements</b>	<b>3,390,850</b>	<b>3,390,850</b>	<b>2,706,393</b>	<b>684,457</b>
Receipts (Under) Disbursements	(1,990,850)	(1,990,850)	(1,139,816)	851,034
Fund Balance at Beginning of Year	2,974,527	2,974,527	2,974,527	
Prior Year Encumbrances Appropriated	1,000	1,000	1,000	
<b>Fund Balance at End of Year</b>	<b>\$984,677</b>	<b>\$984,677</b>	<b>\$1,835,711</b>	<b>\$851,034</b>

*See accompanying notes to the basic financial statements.*

BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<u>Agency Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$70,751</u></u>
<b>Liabilities</b>	
Net Assets Held for Student Activities	<u><u>\$70,751</u></u>

*See accompanying notes to the basic financial statements.*

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**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

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

The District was established in 1969 through the consolidation of existing land areas and school districts. The District serves an area of approximately 225 square miles, 201 square miles in Logan County, 18 square miles in Hardin County, and six square miles in Union County. It is located in Logan County, and includes the Villages of Belle Center, Rushsylvania, Valley High, Middleburg, West Mansfield, Zanesfield, and East Liberty. The District is the 289th largest in the State of Ohio (amount 612 school districts) in terms of enrollment. It is staffed by 94 non-certificated employees, 141 certificated full-time teaching personnel who provide services to 1,946 students and other community members. The District currently operates three instructional buildings and a garage building.

**A. Reporting Entity**

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

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

The District is associated with three significant types of organizations, which includes four jointly governed organizations, two insurance purchasing pools, and a related organization. These organizations include the Western Ohio Computer Organization, the Ohio Hi-Point Joint Vocational School District, the West Central Ohio Special Education Regional Resource Center, the Logan County Education Foundation, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Logan County Schools Benefit Plan Association, and the Belle Center Free Public Library. These organizations are presented in Notes 11, 12, and 13 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**A. Basis of Accounting**

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the government-wide and fund financial statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

**B. Basis of Presentation**

The District's basic financial statements consist of government-wide financial 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.

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

**2. Fund Financial Statements**

During the fiscal year, the District segregates transactions related to certain District 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**C. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental and fiduciary.

**1. Governmental Funds**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major funds are the General Fund, the Bond Retirement Debt Service Fund and the Emergency Levy Fund.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

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

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

**Emergency Levy Fund** - The Emergency Levy Fund is used to account for expenditures of the District's emergency operating levy.

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

**2. Fiduciary Funds**

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. Private purpose trust fund accounts for programs that benefit individuals, private organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities. The District has no trust or private purpose trust funds.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations 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 the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level within the General Fund, and at the function and object level within all other funds, are made by the District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. 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 of estimated resources in effect at the time final appropriations were passed by the Board.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

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

**E. Cash and Investments**

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

During fiscal year 2006, the District invested in Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Farm Credit Bank, Certificates of Deposit, and the State Treasury Assets Reserve of Ohio (STAR Ohio). Investments 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 June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$281,120, which includes \$165,860 assigned from the other funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the budget stabilization.

**G. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**H. Compensated Absences**

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



**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**I. Long-term Obligations**

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specific purposes.

**K. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

**L. Fund Balance Reserves**

The School District reserves those portions of fund balance, which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and budget stabilization.

**3. DEPOSITS AND INVESTMENTS**

Monies held by the District are classified by State statute into three categories.

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

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

Interim monies are those monies that 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.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,308,502 of the District's bank balance of \$2,594,424 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The District's carrying value of the deposits at year-end is \$2,447,177.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**B. Investments**

As of June 30, 2006, the District had the following investments.

<u>Investment Type</u>	<u>Carrying and Fair Value</u>	<u>Less than One year</u>
Federal Home Loan Mortgage Corporation Notes	\$2,461,471	\$2,461,471
Federal National Mortgage Association Notes	979,390	979,390
Federal Farm Credit Bank	493,378	493,378
STAR Ohio	1,918	1,918
Total Investments	<u>\$3,936,157</u>	<u>\$3,936,157</u>

**Interest Rate Risk** - As a means of limiting its exposure to fair value losses caused by rising interest rates, the District's investment policy requires that operating funds be invested primarily in short-term investments maturing within one year from the date of purchase and that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk** - The Federal National Mortgage Association Notes and the Federal Home Loan Mortgage Corporation Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The District has no investment policy that would further limit its investment choices.

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes and the Federal Home Loan Mortgage Corporation Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**Concentration of Credit Risk** - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. The District's investment in Federal Home Loan Mortgage Corporation Notes, and in Federal National Mortgage Association Notes represents 45% and 18%, respectively, of the District's total investments.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**4. PROPERTY TAXES**

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

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

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

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

The District receives property taxes from Logan, Hardin and Union County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<b>2005 Second- Half Collections</b>		<b>2006 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$196,918,530	69%	\$208,359,370	75%
Public Utility Real and Personal Property	11,241,090	4%	11,147,510	4%
Tangible Personal Property	76,569,060	27%	57,378,713	21%
Total Assessed Value	<u>\$284,728,680</u>	<u>100%</u>	<u>\$276,885,593</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$39.70		\$39.40	

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**5. RISK MANAGEMENT**

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

The District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$39,427,427, and a 100 percent coinsurance.

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

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

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

**6. DEFINED BENEFIT PENSION PLAN**

**A. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to State Teachers Retirement System, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**6. DEFINED BENEFIT PENSION PLAN (Continued)**

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,087,510, \$1,020,129, and \$828,296 respectively; 100 percent has been contributed for fiscal year 2006, 2005 and 2004.

**B. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at [ohsers.org](http://ohsers.org).

Plan members are required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$284,134, \$271,647, and \$174,990, respectively; 100 percent has been contributed for fiscal year 2006, 2005, and 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, all five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**7. POST-EMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$83,655 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, the District paid \$125,656 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently eligible to receive health care benefits.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**8. DEBT OBLIGATIONS**

Debt obligations of the District at June 30, 2006, consisted of the following:

	<b>Principal Outstanding 06/30/05</b>	<b>Additions</b>	<b>Reductions</b>	<b>Principal Outstanding 06/30/06</b>
2005 Refinancing Bond Issue	\$5,700,000		\$860,000	\$4,840,000
Capital Appreciation Bonds	327,170			327,170
1997 Elementary and Middle School Building Capital Appreciation Bonds	275,000		70,000	205,000
Capital Appreciation Bonds	259,131			259,131
Capital Appreciation Bonds 1993 Bonds	1,186,164		607,931	578,233
Energy Conservation Loan	125,836		19,837	105,999
Long-Term Debt	7,873,301		1,557,768	6,315,533
Capital Lease	809		809	
Total Long-Term Obligations	<u>\$7,874,110</u>		<u>\$1,558,577</u>	<u>\$6,315,533</u>

**A. 2005 Refinancing Bond Issue**

On February 22, 2005, the School District issued \$6,027,170 in general obligation bonds to refinance prior bond issues. The bonds were issued for a ten-year period with final maturity at December 1, 2014. The bonds will be retired from the Bond Retirement Debt Service Fund. The bond issue consists of \$5,700,000 Current Interest Serial Bonds at interest rate 3.0 to 3.375%, and \$327,170 Capital Appreciation Bonds with interest rates at approximately 8.90% (or the rate, that, when applied to the original principal amount, compounded semiannually results in maturity amount) for an approximate yield to maturity of 3.31 to 3.87%. The proceeds from the refunding bond issue were used to retire \$3,950,000 of the 1994 bond issue, \$1,110,000 of the 1993 bond issue, and \$975,000 of the 1997 bond issue. The difference between the cash flows required to service the old debt and the cash flows required servicing the new debt and complete refunding is \$538,135. The economic gain resulting from the refunding is \$275,608.

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

Elementary and Middle School General Obligation Bonds - On December 1, 1997, the District issued \$1,499,113 in voted general obligation bonds for new elementary and middle schools. The bonds were issued for an eighteen-year period with final maturity at December 1, 2015. The bonds will be retired from the Bond Retirement Debt Service Fund. The bond issue consists of \$745,000 Current Interest Serial Bonds at interest rates ranging from 4.1 to 4.75%, \$54,113 Capital Appreciation Bonds with interest rates at approximately 14.5% (or the rate, that, when applied to the original principal amount, compounded semiannually results in maturity amount) for an approximate yield to maturity of 5 to 5.1%, and \$700,000 Current Interest Term Bonds with an interest rate of 5% and yield rate of 5.1%. The Capital Appreciation Bonds will mature in fiscal years 2010 and 2011. The maturity amount of the Capital Appreciation bonds is \$355,000.

The proceeds from the 2005 Refinancing Bond Issue were used to pay off \$275,000 in Serial Bonds and the entire \$700,000 Current Interest Term Bonds.



**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**8. DEBT OBLIGATIONS (Continued)**

**C. 1993 New School General Obligation Bonds**

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

The Capital Appreciation Bonds will mature in fiscal years 2005 to 2007. The maturity amount of the bonds is \$1,905,000. During fiscal year 2006, Capital Appreciation Bonds with a maturity amount of \$630,000 were retired. The \$1,110,000 Current Interest Term Bonds were paid off with the proceeds from the 2005 Refinancing Bond issue.

**D. Energy Conservation Loan** – During 2000, the District obtained a loan in the amount of \$201,463 for the purpose of providing energy conservation measures under authority of House Bill 264. The loan was issued for a ten year fiscal period with a final maturity during fiscal year 2011, with an interest rate of 6.25%. The debt will be retired from the general fund.

Principal and interest requirements to retire general obligation debt at June 30, 2006, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$1,534,329	\$209,309	\$1,743,638
2008	1,612,422	106,700	1,719,122
2009	1,263,858	61,855	1,325,713
2010	865,373	29,139	894,512
2011	333,851	184,329	518,180
2012-2016	705,700	142,556	848,256
Total	<u>\$6,315,533</u>	<u>\$733,888</u>	<u>\$7,049,421</u>

**9. CAPITAL LEASES**

The District has entered into a capitalized lease for the acquisition of a mail machine. The capital lease was paid off during fiscal year 2006.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**10. SET ASIDE DISCLOSURE**

The District is required by state law to set aside certain General Fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2006	(\$601,076)	\$0	\$74,443
Required Set-Aside	288,742	288,742	
Current Year BWC Refunds			1,079
Qualifying Expenditures	(729,830)	288,742	
Cash Balance Carried Forward to Subsequent Year	<u>(\$1,042,164)</u>	<u>\$0</u>	<u>\$75,522</u>

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

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

**11. JOINTLY GOVERNED ORGANIZATIONS**

**A. Western Ohio Computer Organizations**

The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of various public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Shelby, and Miami Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions of member school districts. Each of the governments of these districts supports WOCO based upon a per pupil charge dependent on the software package utilized. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO, as the residual interest in net resources of the joint venture upon dissolution is not equivalent to an equity interest. WOCO is governed by a board of directors consisting of the superintendents of the member school districts and the degree of control is limited to the representation on the board. Financial information can be obtained from Sonny Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

**B. Ohio Hi-Point Joint Vocational School**

The Ohio Hi-Point Joint Vocational School District is a political subdivision of the State of Ohio, which possesses its own budgeting and taxing authority. The Vocational School is governed by a board of education that consists of a representative from each participating school district and its degree of control is limited to its representation on the board. To obtain financial information write to the Ohio Hi-Point Vocational School, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**C. West Central Ohio Special Education Regional Resource Center**

The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contracting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326.

**D. Logan County Education Foundation**

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

**12. INSURANCE POOLS**

**A. The Ohio School Boards Association Workers' Compensation Group Rating Program**

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

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

**B. Logan County School Benefit Plan Association**

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**13. RELATED ORGANIZATION**

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

**14. STATE SCHOOL FUNDING DECISION**

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

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

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

**15. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

**B. Litigation**

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

**16. INTERFUND BALANCES**

**A. Interfund Advances**

The District didn't have any unpaid interfund cash advances at June 30, 2006.

**B. Interfund Transfers**

Transfers between funds during the year ended June 30, 2006 were as follows:

	<b>Interfund Transfers In</b>	<b>Interfund Transfers Out</b>
General		\$7,766
EMIS	\$7,766	
Totals	\$7,766	\$7,766

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**17. OUTSTANDING CONTRACTUAL COMMITMENTS**

At June 30, 2006, the District had the following outstanding contractual commitments for the construction of the soccer field concession stand and restrooms:

Freytag & Associates	Architect	\$8,084
HBI Electric	Electric	11,644
Lochard, Inc.	Plumbing/HVAC	20,848
Terra Con Construction	General Contractor	<u>59,201</u>
	Totals	<u>\$99,777</u>

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**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550		\$45,885		\$45,885
National School Lunch Program		10.555	112,835		112,835	
Total U. S. Department of Agriculture			112,835	45,885	112,835	45,885
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Advanced Placement Program	AV-S1 01	84.330	710		710	
Safe and Drug-Free Schools and Communities State Grants	DR-S1 06	84.186	12,303		11,035	
Special Education Grants to States	6B-SF 05 P 6B-SF 06 P	84.027			14,599	
Total Special Education Grants to States			355,930		338,739	
			355,930		353,338	
Title 1 Grants to Local Educational Agencies	C1-S1 05 C1-S1 06	84.010	9,088		13,331	
Total Title 1 Grants to Local Educational Agencies			101,938		94,448	
			111,026		107,779	
Innovative Educational Program Strategies	C2-S1 06	84.298	9,890		10,334	
Education Technology State Grants	TJ-S1 06	84.318	1,896		1,860	
Improving Teacher Quality State Grants	TR-S1 05 TR-S1 06	84.367	12,579		12,579	
Total Improving Teacher Quality State Grants			76,941		68,694	
			89,520		81,273	
Total U. S. Department of Education			581,275		566,329	
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$694,110</u>	<u>\$45,885</u>	<u>\$679,164</u>	<u>\$45,885</u>

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DONATION**

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2006, the District had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE D - TRANSFER OF FUNDS BETWEEN COST CENTERS**

The following transfers between fund cost centers were approved by the Ohio Department of Education.

<b>Grant and CFDA # / Fund, Cost Center</b>	<b>Transfer out</b>	<b>Transfer in</b>
Special Education Grants to States # 84.027		
516-9005	\$(8,981)	
516-9006		\$8,981
State Grants for Innovative Programs # 84.298		
573-9005	\$(444)	
573-9006		\$444
Safe and Drug-Free Schools and Communities # 84.186		
584-9005	\$(671)	
584-9006		\$671





## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benjamin Logan Local School District, Logan County, (the District), as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 16, 2006, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2006-002.

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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the District's management dated November 16, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



**Betty Montgomery**  
Auditor of State

November 16, 2006



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Benjamin Logan Local School District, Logan County, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the fiscal year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the fiscal year ended June 30, 2006.

#### Internal Control Over Compliance

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

**Internal Control Over Compliance  
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



**Betty Montgomery**  
Auditor of State

November 16, 2006

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 84.027: Special Education Grants to States CFDA # 10.555: National School Lunch Program
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2006-001**

**Noncompliance Citation**

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

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

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

**OFFICIALS' RESPONSE**

The Board of Education has elected not to prepare its annual financial reports in accordance with the generally accepted accounting principles (GAAP) due to the projected cost saving of \$10,000, in accordance with past practices.

**FINDING NUMBER 2006-002**

**Reportable Condition**

**Maintaining Supporting Documentation and Monitoring of Fundraisers**

To help assure accountability over fund raisers, an entity should maintain documentation to support the revenues collected and expenditures made for the fundraiser. Monitoring procedures should be performed on the fundraising records by someone independent of the fundraiser.

The Future Farmers of America (FFA) participated in a national fundraising campaign during the fall of 2005. The students received donations from individuals in exchange for a ticket for the chance to win a new truck. The actual money collected did not agree with the amount expected to be collected based on the number of tickets sold as documented on the "2005 Ticket Accounting" form that was completed and turned in with the tickets sold to the organization handling the fundraiser. According to this form, 840 tickets were sold, which results in \$4,200 expected to be collected (840 \* \$5.00), if a donation was received for every ticket given out or "sold". The actual amount collected by the District was only \$3,232. The number of tickets sold per the "2005 Ticket Accounting" form was compared to the spreadsheet and the commission sheets maintained by the FFA advisor. The spreadsheet documented that 664 tickets were sold and the commission sheets documented that 795 tickets were sold, which do not agree to the number sold per the "2005 Ticket Accounting" form. The actual number of tickets sold could not be determined by counting the number of remaining tickets on hand because all unsold tickets were destroyed upon direction of the organization in charge of the fundraiser.

**FINDING NUMBER 2006-002  
(Continued)**

Upon completion of the fundraiser, the District FFA remitted a portion of the proceeds (\$840) to the Ohio FFA Foundation based on the amount of revenue collected. When calculating the amount that should have been remitted based on the actual revenue collected, only \$646 should have been remitted, which is \$194 less than the actual amount remitted. If the 795 tickets were used, then they should have remitted only \$795, assuming that money was collected for every ticket sold.

As a result of the variances between records and the failure to have adequate monitoring procedures in place for this fund raiser, it is not possible to determine whether all receipts were collected and deposited. In addition, it is not possible to determine whether or not the correct amount of money was remitted to the fundraising organization. The failure to maintain complete records could result in findings for recovery being issued for either failing to account for all receipts or for the improper expenditures of money.

If the District FFA chooses to participate in this program in the future, procedures should be developed to help maintain complete records and assist in preventing discrepancies. The advisor should document the number of tickets received for resale. The tickets should be pre-numbered. The advisor should prepare a spreadsheet to help identify all of the students selling the tickets, the number of tickets they received for resale, and the actual number of tickets sold. The identifying number on the tickets given to each student could also be documented on the spreadsheet in order to provide support of who received what tickets. The number on each of the tickets returned could also be documented for further support. The total number of tickets sold by the District as a whole should be recorded on the spreadsheet and then multiplied by the sales price. This amount should be reconciled to the actual amount deposited in the bank. If any discrepancies arise, they should be investigated and the reason for the discrepancy should be documented. If any tickets are given away for free because the ticket says "suggested donation", this should also be identified on the spreadsheet. The tickets that are turned in to the fundraising organization should be counted by an independent person and then reconciled to the spreadsheet maintained by the FFA advisor. Again, if any discrepancies arise, they should be investigated. Finally, the unsold tickets should not be destroyed as suggested by the fundraising organization. In addition, the District's Board should develop monitoring procedures to help assure adequate records are maintained for each fund raiser.

**OFFICIALS' RESPONSE**

We did not receive a response from Officials to this finding.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT  
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	ORC 117.38 & OAC Sec. 117-2-03(B) – Failed to prepare financial statements in accordance with Generally Accepted Accounting Principles	No	Repeated as Finding Number 2006-001
2005-002	Monitoring Budget versus Actual Activity – The Board failed to review budgetary reports for all funds	Yes	





**Auditor of State  
Betty Montgomery**

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**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT**

**LOGAN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 19, 2006**