

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY
CARDINGTON, OHIO
FINANCIAL STATEMENTS
JUNE 30, 2000**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Cardington-Lincoln Local School District
Morrow County
Cardington, Ohio 43315

We have reviewed the independent auditor's report of the Cardington-Lincoln Local School District, Morrow County, prepared by Holbrook & Manter, Certified Public Accountants, for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 8, 2001

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

INTRODUCTORY SECTION

Table of Contents.....	1
Independent Auditor’s Report	2-3

FINANCIAL SECTION

Combined Balance Sheet - All Fund Types and Account Groups	4-5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual All Governmental Fund Types	7-9
Combined Statement of Revenues, Expenses and Changes in Retained Earnings – Proprietary Fund Type	10
Combined Statement of Cash Flows - Enterprise Funds	11
Notes to the General Purpose Financial Statements	12-41
Schedule of Federal Awards Expenditures.....	42
Notes to Schedule of Federal Awards Receipts and Expenditures.....	43
Report on Compliance and on Internal Control Over Financial Reporting Based on Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44-45
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	46-47
Schedule of Findings and Questioned Costs	48
Schedule of Prior Audit Findings and Questioned Costs	49



INDEPENDENT AUDITOR'S REPORT

Board of Education
Cardington-Lincoln Local School District
Morrow County
Cardington, OH 43315

We have audited the accompanying general-purpose financial statements of Cardington-Lincoln Local School District, as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of Cardington-Lincoln Local School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Cardington-Lincoln Local School District as of June 30, 2000, and the results of operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2000 on our consideration of Cardington-Lincoln Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Shulbrook & Manton

Certified Public Accountants

December 5, 2000
Marion, Ohio

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	GOVERNMENTAL FUND TYPES				PROPRIETARY	FIDUCIARY	ACCOUNT GROUPS		TOTAL (MEMO ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	ENTERPRISE	TRUST AND AGENCY	GENERAL	GENERAL	
							FIXED ASSETS	LONG TERM DEBT	
ASSETS AND OTHER DEBITS:-									
ASSETS:-									
Equity in pooled cash and cash equivalents	\$ 919,516	\$ 233,633	\$ 383,930	\$ 62,415	\$ 23,448	\$ 60,126	\$ 0	\$ 0	1,683,068
Receivables:-									
Property taxes	1,498,690	6,723	328,755	12,270	0	0	0	0	1,846,438
Accounts	24,673	0	0	0	3	5,600	0	0	30,276
Intergovernmental	3,049	5,293	0	0	13,362	0	0	0	21,704
Accrued interest	6,065	489	0	0	90	213	0	0	6,857
Interfund	4,000	0	0	0	0	0	0	0	4,000
Prepaid items	12,705	0	0	0	0	0	0	0	12,705
Materials and supplies inventory	5,170	0	0	0	6,551	0	0	0	11,721
Restricted assets:-									
Equity in pooled cash and cash equivalents	100,583	0	0	0	0	0	0	0	100,583
Fixed assets (net, where applicable, of accumulate depreciation)	0	0	0	0	20,986	0	7,072,644	0	7,093,630
OTHER DEBITS:-									
Amount available in Debt Service Fund									
Fund for Retirement of General Obligation Debt	0	0	0	0	0	0	0	439,005	439,005
Amount to be provided from General Government Resources	0	0	0	0	0	0		2,138,223	2,138,223
Total assets and other debits	\$ 2,574,451	\$ 246,138	\$ 712,685	\$ 74,685	\$ 64,440	\$ 65,939	\$ 7,072,644	\$ 2,577,228	\$ 13,388,210

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (MEMO) (ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	ENTERPRISE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG TERM DEBT	
LIABILITIES, FUND EQUITY AND OTHER CREDITS:-									
LIABILITIES:-									
Accounts payable	\$ 61,176	\$ 5,401	\$ 0	\$ 1,570	\$ 459	\$ 68	\$ 0	\$ 0	68,674
Accrued wages and benefits	424,319	50,550	0	0	17,333	0	0	0	492,202
Compensated absences payable	21,397	0	0	0	11,881	0	0	371,948	405,226
Pension obligation payable	84,962	6,670	0	0	9,988	0	0	56,843	158,463
Intergovernmental payable	2,809	52	497	104	0	0	0	0	3,462
Interfund payable	0	4,000	0	0	0	0	0	0	4,000
Deferred revenues	1,234,877	1,771	273,183	2,887	4,628	0	0	0	1,517,346
Due to students	0	0	0	0	0	24,563	0	0	24,563
Undistributed assets	0	0	0	0	0	1,445	0	0	1,445
Asbestos loan payable	0	0	0	0	0	0	0	38,437	38,437
General obligation bonds payable	0	0	0	0	0	0	0	2,110,000	2,110,000
General obligation notes payable	45,000	0	0	0	0	0	0	0	45,000
Total liabilities	<u>1,874,540</u>	<u>68,444</u>	<u>273,680</u>	<u>4,561</u>	<u>44,289</u>	<u>26,076</u>	<u>0</u>	<u>2,577,228</u>	<u>4,868,818</u>
FUND EQUITY AND OTHER CREDITS:-									
Investment in General Fixed Assets	0	0	0	0	0	0	7,072,644	0	7,072,644
Retained earnings:-									
Unreserved	0	0	0	0	20,151	0	0	0	20,151
Fund balance:-									
Reserved for property taxes	207,469	3,912	45,613	7,304	0	0	0	0	264,298
Reserved for inventory	5,170	0	0	0	0	0	0	0	5,170
Reserved for prepayments	12,705	0	0	0	0	0	0	0	12,705
Reserved for budget stabilization	100,583	0	0	0	0	0	0	0	100,583
Designated for budget stabilization	867	0	0	0	0	0	0	0	867
Reserved for debt service	0	0	393,392	0	0	0	0	0	393,392
Reserved for encumbrances	54,021	21,078	0	2,032	0	1,999	0	0	79,130
Unreserved	319,096	152,704	0	60,788	0	37,864	0	0	570,452
Total fund equity and other credits	<u>699,911</u>	<u>177,694</u>	<u>439,005</u>	<u>70,124</u>	<u>20,151</u>	<u>39,863</u>	<u>7,072,644</u>	<u>0</u>	<u>8,519,392</u>
Total liabilities, fund equity and other credits	\$ <u>2,574,451</u>	\$ <u>246,138</u>	\$ <u>712,685</u>	\$ <u>74,685</u>	\$ <u>64,440</u>	\$ <u>65,939</u>	\$ <u>7,072,644</u>	\$ <u>2,577,228</u>	\$ <u>13,388,210</u>

See Accompanying Notes to the General Purpose Financial Statements.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 JUNE 30, 2000

	GOVERNMENTAL FUND TYPES				FIDUCIARY	TOTAL (MEMO) ONLY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	EXPENDABLE TRUST	
REVENUES:-						
Property taxes	\$ 1,488,181	\$ 31,454	\$ 315,031	\$ 54,129	\$ 0	\$ 1,888,795
Intergovernmental	4,598,521	455,608	1,160	511,388	0	5,566,677
Interest	54,064	4,448	0	0	1,671	60,183
Tuition and fees	36,853	0	0	0	0	36,853
Extracurricular activities	0	164,792	0	0	0	164,792
Other revenue	68,164	4,000	0	0	17,326	89,490
Total revenues	<u>6,245,783</u>	<u>660,302</u>	<u>316,191</u>	<u>565,517</u>	<u>18,997</u>	<u>7,806,790</u>
EXPENDITURES:-						
Current:-						
Instruction:-						
Regular	2,780,837	124,639	0	51,073	0	2,956,549
Special	243,437	321,798	0	0	0	565,235
Vocational	211,636	0	0	0	0	211,636
Other	311,896	0	0	0	6,000	317,896
Supporting services:-						
Pupils	146,142	127	0	0	0	146,269
Instructional staff	151,190	30,239	0	0	0	181,429
Board of Education	24,937	0	0	0	2,278	27,215
Administration	571,834	95,570	0	0	0	667,404
Fiscal	168,528	52	497	104	0	169,181
Operation & maintenance - plant	705,772	45,590	0	25,940	0	777,302
Pupil transportation	466,869	0	0	0	0	466,869
Central	28	0	0	0	0	28
Community Services	20,007	0	0	0	0	20,007
Extracurricular activities	113,217	108,526	0	0	68	221,811
Facilities services	0	0	0	569,228	0	569,228
Debt service:-						
Principal retirement	5,000	0	80,000	0	0	85,000
Interest and fiscal charges	0	0	145,937	0	0	145,937
Total expenditures	<u>5,921,330</u>	<u>726,541</u>	<u>226,434</u>	<u>646,345</u>	<u>8,346</u>	<u>7,528,996</u>
Excess of revenues over (under) expenditures	324,453	(66,239)	89,757	(80,828)	10,651	277,794
OTHER FINANCING SOURCES (USES):-						
Operating transfers in	24,118	0	0	20,000	0	44,118
Operating transfers out	(20,000)	(24,118)	0	0	0	(44,118)
Proceeds from sale of assets	1,253	0	0	0	0	1,253
Total other financing sources (uses)	<u>5,371</u>	<u>(24,118)</u>	<u>0</u>	<u>20,000</u>	<u>0</u>	<u>1,253</u>
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	329,824	(90,357)	89,757	(60,828)	10,651	279,047
Fund balances at beginning of year (Restated)	374,761	268,051	349,248	130,952	29,212	1,152,224
Decrease in reserve for inventory	(4,674)	0	0	0	0	(4,674)
Fund balances at end of year	\$ <u>699,911</u>	\$ <u>177,694</u>	\$ <u>439,005</u>	\$ <u>70,124</u>	\$ <u>39,863</u>	\$ <u>1,426,597</u>

See Accompanying Notes to the General Purpose Financial Statements

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 JUNE 30, 2000

	GENERAL			SPECIAL REVENUE		
	REVISED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES:-						
Taxes	\$ 1,412,761	\$ 1,412,761	\$ 0	\$ 29,360	\$ 29,360	\$ 0
Intergovernmental	4,661,659	4,661,659	0	425,316	450,316	25,000
Interest	50,145	50,145	0	4,124	4,124	0
Tuition and fees	22,019	22,019	0	0	0	0
Extracurricular activities	0	0	0	161,433	161,433	0
Other revenue	59,126	59,651	525	4,000	4,000	0
Total revenues	<u>6,205,710</u>	<u>6,206,235</u>	<u>525</u>	<u>624,233</u>	<u>649,233</u>	<u>25,000</u>
EXPENDITURES:-						
Current:-						
Instruction:-						
Regular	2,835,596	2,796,125	39,471	154,937	134,036	20,901
Special	255,654	241,404	14,250	309,649	309,491	158
Vocational	217,659	212,106	5,553	0	0	0
Other	440,713	440,713	0	0	0	0
Supporting services:-						
Pupils	155,092	150,619	4,473	175	175	0
Instructional staff	154,526	154,496	30	30,845	30,845	0
Board of Education	42,880	41,940	940	0	0	0
Administration	587,464	568,170	19,294	122,721	106,547	16,174
Fiscal	174,278	169,012	5,266	0	0	0
Operation & maintenance - plant	724,547	723,937	610	46,212	45,589	623
Pupil transportation	522,060	491,747	30,313	0	0	0
Community services	31,998	26,418	5,580	0	0	0
Extracurricular activities	126,723	118,863	7,860	130,701	122,394	8,307
Capital outlay	0	0	0	0	0	0
Debt service;						
Principal retirement	5,000	5,000	0	0	0	0
Interest and fiscal charges	0	0	0	0	0	0
Total expenditures	<u>6,274,190</u>	<u>6,140,550</u>	<u>133,640</u>	<u>795,240</u>	<u>749,077</u>	<u>46,163</u>
Excess of revenues over (under) expenditures	(68,480)	65,685	134,165	(171,007)	(99,844)	71,163
Other financing sources:-						
Operating transfers in	28,250	61,574	33,324	0	0	0
Operating transfers out	(57,456)	(57,456)	0	(24,118)	(24,118)	0
Advances in	18,987	18,987	0	4,958	4,958	0
Advances out	(4,000)	(4,000)	0	(17,131)	(17,131)	0
Proceeds of sale of fixed assets	1,253	1,253	0	0	0	0
Proceeds of sale of notes	45,000	45,000	0	0	0	0
Total other financing sources (uses)	<u>32,034</u>	<u>65,358</u>	<u>33,324</u>	<u>(36,291)</u>	<u>(36,291)</u>	<u>0</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(36,446)	131,043	167,489	(207,298)	(136,135)	71,163
Fund balances at beginning of year	628,979	628,979	0	292,701	292,701	0
Prior year encumbrances appropriated	144,569	144,569	0	48,370	48,370	0
Fund balances at end of year	<u>\$ 737,102</u>	<u>\$ 904,591</u>	<u>\$ 167,489</u>	<u>\$ 133,773</u>	<u>\$ 204,936</u>	<u>\$ 71,163</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 JUNE 30, 2000

	DEBT SERVICE			CAPITAL PROJECTS		
	REVISED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES:-						
Taxes	\$ 299,749	\$ 299,749	\$ 0	\$ 52,943	\$ 52,943	\$ 0
Intergovernmental	1,160	1,160	0	511,388	511,388	0
Earnings on investments	0	0	0	0	0	0
Tuition and fees	0	0	0	0	0	0
Extracurricular activities	0	0	0	0	0	0
Other revenue	0	0	0	0	0	0
Total revenues	<u>300,909</u>	<u>300,909</u>	<u>0</u>	<u>564,331</u>	<u>564,331</u>	<u>0</u>
EXPENDITURES:-						
Current:-						
Instruction:-						
Regular	0	0	0	58,672	52,285	6,387
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Other	0	0	0	0	0	0
Supporting services:-						
Pupils	0	0	0	0	0	0
Instructional staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	0	0	0	0	0	0
Operation & maintenance - plant	0	0	0	25,941	25,941	0
Pupil transportation	0	0	0	0	0	0
Community services	0	0	0	0	0	0
Extracurricular activities	0	0	0	0	0	0
Facilities services	0	0	0	576,666	571,311	5,355
Debt service;						
Principal retirement	80,000	80,000	0	0	0	0
Interest and fiscal charges	170,000	145,937	24,063	0	0	0
Total expenditures	<u>250,000</u>	<u>225,937</u>	<u>24,063</u>	<u>661,279</u>	<u>649,537</u>	<u>11,742</u>
Excess of revenues over (under) expenditures	50,909	74,972	24,063	(96,948)	(85,206)	11,742
Other financing sources:-						
Operating transfers in	0	0	0	20,000	20,000	0
Operating transfers out	0	0	0	0	0	0
Advances in	0	0	0	0	0	0
Advances out	0	0	0	(2,814)	(2,814)	0
Proceeds of sale of fixed assets	0	0	0	0	0	0
Proceeds of sale of notes	0	0	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,186</u>	<u>17,186</u>	<u>0</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	50,909	74,972	24,063	(79,762)	(68,020)	11,742
Fund balances at beginning of year	308,958	308,958	0	95,523	95,523	0
Prior year encumbrances appropriated	0	0	0	31,310	31,310	0
Fund balances at end of year	<u>\$ 359,867</u>	<u>\$ 383,930</u>	<u>\$ 24,063</u>	<u>\$ 47,071</u>	<u>\$ 58,813</u>	<u>\$ 11,742</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 JUNE 30, 2000

	TOTAL (MEMO ONLY)		
	REVISED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES:-			
Taxes	\$ 1,794,813	\$ 1,794,813	\$ 0
Intergovernmental	5,599,523	5,624,523	25,000
Earnings on investments	54,269	54,269	0
Tuition and fees	22,019	22,019	0
Extracurricular activities	161,433	161,433	0
Other revenue	63,126	63,651	525
Total revenues	7,695,183	7,720,708	25,525
EXPENDITURES:-			
Current:-			
Instruction:-			
Regular	3,049,205	2,982,446	66,759
Special	565,303	550,895	14,408
Vocational	217,659	212,106	5,553
Other	440,713	440,713	0
Supporting services:-			
Pupils	155,267	150,794	4,473
Instructional staff	185,371	185,341	30
Board of Education	42,880	41,940	940
Administration	710,185	674,717	35,468
Fiscal	174,278	169,012	5,266
Operation & maintenance - plant	796,700	795,467	1,233
Pupil transportation	522,060	491,747	30,313
Community services	31,998	26,418	5,580
Extracurricular activities	257,424	241,257	16,167
Facilities services	576,666	571,311	5,355
Debt service;			0
Principal retirement	85,000	85,000	0
Interest and fiscal charges	170,000	145,937	24,063
Total expenditures	7,980,709	7,765,101	215,608
Excess of revenues over (under) expenditures	(285,526)	(44,393)	241,133
Other financing sources:-			
Operating transfers in	48,250	81,574	33,324
Operating transfers out	(81,574)	(81,574)	0
Advances in	23,945	23,945	0
Advances out	(23,945)	(23,945)	0
Proceeds of sale of fixed assets	1,253	1,253	0
Proceeds of sale of notes	45,000	45,000	0
Total other financing sources (uses)	12,929	46,253	33,324
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(272,597)	1,860	274,457
Fund balances at beginning of year	1,326,161	1,326,161	0
Prior year encumbrances appropriated	224,249	224,249	0
Fund balances at end of year	\$ 1,277,813	\$ 1,552,270	\$ 274,457

See Accompanying Notes to the General Purpose Financial Statements.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000

	PROPRIETARY FUND TYPE
	ENTERPRISE
OPERATING REVENUES:-	
Tuition and fees	\$ 5,116
Sales/charges for services	156,528
Total operating revenues	161,644
OPERATING EXPENSES:-	
Personal services	146,768
Contract services	455
Materials and supplies	136,604
Depreciation	2,505
Total operating expenses	286,332
Operating loss	(124,688)
NON-OPERATING REVENUES:-	
Operating grants	83,171
Federal commodities	27,490
Interest revenue	779
Total non-operating revenue	111,440
Net loss	(13,248)
Retained earnings at beginning of year	33,399
Retained earnings at end of year	\$ 20,151

See Accompanying Notes to the General Purpose Financial Statements

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000

	<u>PROPRIETARY FUND TYPE</u>
	<u>ENTERPRISE</u>
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 6,689
Cash received from sales/service charges	156,627
Cash payments for personal services	(140,671)
Cash payments for contact services	(543)
Cash payments for supplies and materials	<u>(110,381)</u>
Net cash used in operating activities	(88,279)
Cash flows from noncapital financing activities:	
Cash received from operating grants	<u>83,613</u>
Net cash provided by noncapital financing activities	83,613
Cash flows from investing activities:	
Interest received	714
Net cash provided by investing activities	<u>714</u>
Net decrease in cash and cash equivalents	(3,952)
Cash and cash equivalents at beginning of year	<u>27,400</u>
Cash and cash equivalents at end of year	<u><u>\$ 23,448</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (124,688)
Adjustments to reconcile operating loss to net used in operating activities:	
Depreciation	2,505
Federal donated commodities	27,490
Changes in assets and liabilities	
Decrease in supplies inventory	2,967
Decrease in accounts receivable	1,672
Decrease in prepayments	2,295
Decrease in accounts payable	(886)
Decrease in accrued wages & benefits	(604)
Increase in compensated absences payable	5,609
Decrease in pension obligation payable	(969)
Decrease in deferred revenue	<u>(3,670)</u>
Net cash used in operating activities	<u><u>\$ (88,279)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT:-

Cardington-Lincoln Local School District (the District) is located primarily in Morrow (and serves a small portion of Marion) County and includes the Village of Cardington and Lincoln Township. The District serves an area of approximately 85 square miles.

The District was established in 1840 through the consolidation of existing land areas and school districts. The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The District is the 448th largest by enrollment among 660 public and community school districts in the State, and the third largest in Morrow County. It currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 48 non-certified and 82 certified employees to provide services to approximately 1,201 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is composed of the primary government, components 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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units.

The following organizations are described due to their relationship to the District.

Jointly Government Organizations:

Tri-Rivers Educational Computer Association (TRECA)

TRECA is a jointly governed organization among 21 school districts. TRECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports TRECA based upon a per pupil charge, dependent upon the software package utilized. TRECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In the event of dissolution of TRECA, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. Financial information can be obtained from Mike Carder, Director, 2222 Marion Mt. Gilead Rd., Marion, Ohio 43302.

Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (the "JVS") is a distinct political subdivision of the State of Ohio. The JVS operates under the direction of a Board consisting of one representative from each of the participating school districts' Board of Education, and one representative from the Delaware Union Education Service Center. The JVS Board of Education possesses its own budgeting and taxing authority. Financial information can be obtained from Terril Martin, Treasurer, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

Cardington Community Joint Recreation Board

The District and the Village of Cardington participate in a Joint Recreation Board created under the provisions of Ohio Revised Code Sections 755.12 to 755.18. The Joint Recreation Board consists of two representatives from each participant and one appointed by the four members. The degree of control exercised by the District is limited to its representation on the Board. Financial information is available from Louise Mathews, Treasurer, P.O. Box 63, Cardington, Ohio 43315.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Related Organizations:

Cardington Public Library

The Cardington Public Library is a distinct 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 Cardington-Lincoln 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 for the Library, its role is limited to a ministerial function. The determination to request approval of a tax, including its rate and the propose, are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Cardington Public Library, Margaret May, Clerk/Treasurer, 209 South Marion Street, Cardington, Ohio 43315

The District is also participating in a public entity risk sharing pool, discussed in Note 11.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

Governmental Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those required to be accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

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

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

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

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

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

Fiduciary Fund Types

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus. Agency funds are reported on a cash basis, with note disclosure regarding items which, in other funds types, would be subject to accrual.

Account Groups

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

C. Measurement Focus/Basis of Accounting

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

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for all Governmental and Expendable Trust Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to financial expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decrease in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocation of cost, such as depreciation and amortization, are not recognized in Governmental funds.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

The Proprietary Funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendments through the year with legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Morrow County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis of the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1, of each year.) Resolution appropriations by funds must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

5. All funds, other than Agency Funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

E. Cash and Investments

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

During fiscal year 2000, investments were limited to certificates of deposit, which are reported at cost.

By policy of the Board of Education, investment earnings are assigned to the General fund, the Food Service fund, the Public School Support fund, the Scholarship fund, the District-Managed Activities fund, and the Student-Managed Activities fund. During fiscal 2000, the following funds were credited with more interest revenue than would have been received based upon its share of investments.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

	Interest Actually Received	Interest Based Upon Share of Investments	Interest Assigned From Other Funds
General	\$ 54,064	\$ 32,985	\$ 21,079
<u>Special Revenue</u>			
Public School Support	2,105	1,254	851
District Managed Activities	2,343	1,408	935
Expendable Trust	1,671	1,158	513
<u>Enterprise</u>			
Food Service	779	489	290
<u>Agency</u>			
Student Managed Activities	1,818	837	981

F. Inventory

Inventories of Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expenses when used rather than when purchased.

G. Prepays

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At period end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than three years. The costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life, are not capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and minor equipment	8-20

I. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available (to the extent such grants and entitlements relate to the current fiscal year). Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations (excluding commodities) are recognized as revenue when measurable and earned.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Capital Projects Funds

State Property Tax Relief
SchoolNet
Technology Equity
Emergency Building Repair

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Management Information Systems
Title VI-B
Title I
Title VI
Ohio Reads
Venture Capital
Summer interventions
Library Automation
Textbook/Instructional Materials Subsidy
Challenge Grant

Capital Projects Funds

SchoolNet
Technology Equity
Emergency Building Repair

Reimbursable Grants

General Fund

School Bus Purchases
Driver Education

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Special Revenue

Telecommunications (E-rate)

Proprietary Fund

National School Lunch Program

National School Milk Program

Grants and entitlements amounted to approximately 71% of the District's operating revenue during the 2000 fiscal year.

J. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable". Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from vendor, i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

K. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or stature, plus any applicable additional salary related payments.

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

L. Long-Term Obligations

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available financial resources. Bonds, capital leases and long-term loans are reported as a liability of the General Long-term Obligations Account Group until due.

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

M. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

N. Statutory Reserves

The District is required by State law to set aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total Set-Asides</u>
Set-aside cash balance as of July 1, 1999	\$ 0	\$ 0	\$ 63,303	\$ 63,303
Current year set-aside requirements	114,849	114,839	37,280	266,958
Current year offsets	0	0	0	0
Qualifying disbursements	<u>(114,849)</u>	<u>(114,839)</u>	<u>0</u>	<u>(229,678)</u>
Total	<u>0</u>	<u>0</u>	<u>100,583</u>	<u>100,583</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 100,583</u>	<u>\$ 100,583</u>

Amounts of qualifying expenditures presented in the table were limited to those necessary to reduce the year end balance to zero. A

During fiscal year 2000, and in the prior year, the District elected to set-aside a total of \$867 in excess of the statutory requirement for budget stabilization. This amount is reported as designated fund balance on the combined balance sheet.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	\$ <u>100,583</u>
Total restricted assets	\$ <u>100,583</u>

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

O. Statement of Cash Flows

The District's Financial Statements have been prepared in accordance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented (Exhibit 5) a statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

P. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its Proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only for statutorily-specified purposes. A fund balance reserve has also been established. See Note 2.N. for statutory reserves.

P. Memorandum Only – Total Columns

Total columns on the General Purpose Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE:-

A. Fund Reclassification

A fund reclassification is required for the Instructional Materials Subsidy fund. This fund should be reported as a Special Revenue fund, in accordance with Ohio Auditor of State Bulletin #97-016. The effect of this fund reclassification on fund balance as previously reported at June 30, 1999 is as follows:

	<u>Special Revenue</u>	<u>Capital Projects</u>
Fund balance as Previously reports, June 30, 1999	\$ 252,171	\$ 146,832
Effect of Reclassification	<u>15,880</u>	<u>(15,880)</u>
Restated fund balance at July 1, 1999	\$ <u>268,051</u>	\$ <u>130,952</u>

B. Deficit Fund Balances

Fund balances at June 30, 2000 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balances</u>
Disadvantaged Pupil Impact Aid	\$(187)
Title VI-B	(7,308)
Title I	(36,442)

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidiaries not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

C. Change in Basis of Accounting

In prior years, the District has reported Agency funds using the modified accrual basis of accounting. For fiscal year 2000, Agency funds are reported using the budget (cash) basis of accounting. No restatement is required because agency funds do not report results of operations. There were no material receivables in the Agency funds at June 30, 2000.

NOTE 4 – EQUITY IN POOLED CASH AND INVESTMENTS:-

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 4 – EQUITY IN POOLED CASH AND INVESTMENTS:- (continued)

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

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

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

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

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

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 4 – EQUITY IN POOLED CASH AND INVESTMENTS:- (continued)

5. No-load money market mutual funds consisting exclusively of obligations described above under (1) or (2) of this section and repurchase agreements secured by such obligations; provided that investments in securities described in this division are made only through eligible institutions/
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$1,783,651 and the bank balance was \$1,816,231 (both amounts include \$909,593 in non-negotiable certificates of deposit but are exclusive of payroll clearance accounts). Of the bank balance:

1. \$200,000 was covered by federal depository insurance
2. \$1,616,231 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterpart, or by its trust department or agent but not in the District's name. The District did not have any investments (as defined by GASB Statement No. 3) subject to categorization.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 5 – INTERFUND TRANSACTIONS:-

A. The following is a reconciliation of the District’s operating transfers for 2000:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$ 24,118	\$(20,000)
<u>Special Revenue Funds</u>		
DPIA		(24,118)
<u>Capital Projects Fund</u>		
Permanent Improvement	<u>20,000</u>	<u> </u>
Totals	<u>\$ 44,118</u>	<u>\$(44,118)</u>

B. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans (Payable)</u>
General Fund	\$ 4,000	
<u>Special Revenue Funds</u>		
Title I	<u> </u>	\$(4,000)
Total Interfund Loans	<u>\$ 4,000</u>	<u>\$(4,000)</u>

NOTE 6 - PROPERTY TAX:-

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that 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 after April 1, on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property are established by State law at 35 percent of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35 percent of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed at 50% of market value, and railroads, which are assessed at 29%.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 6 - PROPERTY TAX:- (continued)

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25 percent of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2000 taxes were collected are as follows:

	<u>1999 SECOND-</u>		<u>1999 FIRST-</u>	
	<u>HALF COLLECTIONS</u>	<u>HALF COLLECTIONS</u>	<u>HALF COLLECTIONS</u>	<u>HALF COLLECTIONS</u>
	<u>AMOUNT</u>	<u>PERCENT</u>	<u>AMOUNT</u>	<u>PERCENT</u>
Agricultural/residential And Other Real Estate	\$44,670,820	79.35%	\$64,216,080	84.13%
Public Utility Personal	7,641,320	13.57%	7,515,660	9.85%
Tangible personal property	<u>3,986,810</u>	<u>7.08%</u>	<u>4,596,260</u>	<u>6.02%</u>
	<u>\$56,298,950</u>	<u>100.00%</u>	<u>\$76,328,000</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation:				
Operations		\$ 27.60		\$ 27.60
Debt Service		4.79		4.79
Permanent Improvements		1.00		1.00

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Morrow County Treasurer collects property taxes on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2000 totaled \$207,469 in the General Fund, \$45,613 in the Debt Service fund, \$7,304 in the Permanent Improvements fund and \$3,912 in the Maintenance fund.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 7 - FIXED ASSETS:-

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

<u>ASSET CATEGORY</u>	<u>BALANCE AT</u>		<u>DELETIONS</u>	<u>BALANCE AT</u>
	<u>6-30-99</u>	<u>ADDITIONS</u>		<u>6-30-00</u>
Land and improvements	\$ 114,735			\$ 114,735
Buildings	2,610,000	\$ 544,451		3,154,451
Furniture/equipment	2,150,061	241,108		2,391,169
Vehicles	752,416	157,950		910,366
Books	<u>501,923</u>			<u>501,923</u>
Total	\$ <u>6,129,135</u>	\$ <u>943,509</u>	\$ <u>0</u>	\$ <u>7,072,644</u>

There was no significant construction in progress.

A summary of the Proprietary fixed assets at June 30, 2000 follows:

Furniture and equipment	\$ 158,404
Less accumulated depreciation	<u>(137,418)</u>
Net fixed assets	<u>\$ 20,986</u>

NOTE 8 - RECEIVABLES:-

Receivables at June 30, 2000, consisted of property taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of federal funds

A summary of the principal items of receivables follows:

	<u>Amount</u>
<u>General Fund</u>	
Taxes – Current & Delinquent	\$ 1,498,690
Accounts	24,673
Accrued Interest	6,065
<u>Special Revenue</u>	
Taxes – Current & Delinquent	6,723
Due From Other Governments	5,293
<u>Debt Service Fund</u>	
Taxes – Current and Delinquent	328,755
<u>Capital Projects Funds</u>	
Taxes – Current & Delinquent	12,270
<u>Enterprise Funds</u>	
Due from Other Governments	13,362

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 9 – NOTES PAYABLE:-

In the fiscal year ended June 30, 2000, the District issued a general obligation revenue anticipation note for the purpose of paying for new bleachers on the football field. The note is a general obligation of the District for which the full faith and credit of the District are pledged for repayment. The note is a liability of the General fund, which received the proceeds upon issuance. The following is a description of the District's note outstanding as of June 30, 2000:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Issued in 2000</u>	<u>Outstanding 06/30/00</u>
New bleachers	5.00%	8/25/99	8/25/06	\$ <u>45,000</u>	\$ <u>45,000</u>

NOTE 10 - LONG-TERM OBLIGATIONS:-

A. All current general obligation bonds outstanding, issued to provide funds for the improvement and renovation of facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District is accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt service fund. The source of payment is derived from a current 4.79 mill bonded debt tax levy.

The bonds were issued on May 1, 1992. The issue is comprised of \$680,000 in serial bonds and \$1,930,000 in term bonds.

The term bonds maturing on December 1, 2013, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>YEAR</u>	<u>AMOUNT</u>
2002	\$ 95,000
2003	100,000
2004	110,000
2005	120,000
2006	125,000
2007	135,000
2008	145,000
2009	155,000
2010	165,000
2011	170,000
2012	190,000
2013	200,000

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 10 - LONG-TERM OBLIGATIONS:- (continued)

Serial bonds maturing after December 1, 2001, are subject to redemption at the sole option of the School District either in whole or in part, on any date on or after December 1, 2001, in integral multiples of \$5,000, at the following redemption prices, plus accrued interest to the redemption date:

<u>REDEMPTION DATES</u> <u>(DATES INCLUSIVE)</u>	<u>REDEMPTION</u> <u>PRICES</u>
December 1, 2001 through November 30, 2002	102%
December 1, 2002 through November 30, 2003	101%
December 1, 2003 and thereafter	100%

The following is a description of the Cardington-Lincoln bonds outstanding as of June 30, 2000:

<u>Purpose</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Original</u> <u>Amount</u>	<u>Bonds</u> <u>Outstanding</u> <u>7/01/99</u>	<u>Retired in</u> <u>Fiscal 2000</u>	<u>Bonds</u> <u>Outstanding</u> <u>06/30/00</u>
Building Renovation	7.50%	5/01/92	12/01/14	\$ <u>2,610,000</u>	\$ <u>2,190,000</u>	\$(<u>80,000</u>)	\$ <u>2,110,000</u>

B. In 1991, the District received a loan from the U.S. Environmental protection Agency for an asbestos abatement project. The loan is interest free as long as the District remains current on repayment. This loan is a general obligation of the District for which the full faith and credit of the District are pledged for repayment. The outstanding balance of the loan is reported in the General Long-Term Obligations Account Group. Payments are recorded as expenditures of the General fund, from current operating revenue. The following schedule described the loan outstanding at June 30, 2000:

<u>Purpose</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Original</u> <u>Amount</u>	<u>Outstanding</u> <u>7/01/99</u>	<u>Retired in</u> <u>2000</u>	<u>Outstanding</u> <u>06/30/00</u>
Asbestos Abatements	None	4/20/91	12/01/14	\$ <u>88,437</u>	\$ <u>43,437</u>	\$(<u>5,000</u>)	\$ <u>38,437</u>

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 10 - LONG-TERM OBLIGATIONS:- (continued)

C. The following is a summary of the District's future annual debt service requirements to maturity:

Year Ending June 30	Principal On General Obligation Bonds	Interest On General Obligation Bonds	Asbestos Loan	Total
2001	\$ 85,000	\$ 142,538	\$ 5,000	\$ 232,538
2002	95,000	135,312	5,000	235,312
2003	95,000	127,380	5,000	227,380
2004	100,000	121,110	5,000	226,110
2005	110,000	114,510	5,000	229,510
2006-2010	680,000	452,430	13,437	1,145,867
2011-2015	<u>945,000</u>	<u>196,350</u>	<u>0</u>	<u>1,141,350</u>
Total	<u>\$ 2,110,000</u>	<u>\$ 1,289,630</u>	<u>\$ 38,437</u>	<u>\$ 3,438,067</u>

D. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund which the employee is paid.

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
Compensated Absences	\$ 313,668	\$ 58,280		\$ 371,948
General Obligation Bonds	2,190,000		\$ (80,000)	2,110,000
Pension Obligation Payable	53,719	56,843	(53,719)	56,843
Asbestos Loan	<u>43,437</u>	<u> </u>	<u>(5,000)</u>	<u>38,437</u>
Total	<u>\$ 2,600,824</u>	<u>\$ 115,123</u>	<u>\$ (138,719)</u>	<u>\$ 2,577,228</u>

E. Legal Debt Margin

The Ohio Revised Code provides that the total net indebtedness of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/20 of 15 of the property valuation of the District.

The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$5,189,063 (including available funds of \$429,543) and an unvoted debt margin of \$76,328.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 11 - RISK MANAGEMENT:-

A. Property and Liability

The District is exposed to various risks of related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the District contracted for the following insurance coverage:

Nationwide Insurance are as follows:

Total Policy Coverage - includes the following:

Building and contents - replacement cost (\$500 deductible)	\$16,918,900
Inland Marine Coverage (\$500 deductible)	
Boiler and Machinery (\$1,000 deductible)	
Automobile Liability	2,000,000
Uninsured Motorist	2,000,000
Medical Payments - per person	3,000
General School District Liability	
Per Occurrence	1,000,000
Total per year	5,000,000

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

B. OSBA Worker's Compensation Group Rating

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 11 - RISK MANAGEMENT:- (continued)

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

C. Group Health and Dental Insurance

The District offers group life insurance and accidental death and dismemberment insurance to all employees through Medical Life Insurance Company. The District offers employee group medical/surgical benefits through Medical Mutual of Ohio. Depending upon the plan chosen, the employees share a portion of the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental insurance is offered by the District to all employees through Medical Mutual of Ohio. Regardless of the plan utilized by the employees, all group benefit plans are traditionally funded, and the District does not retain any risk of loss.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, non funding provisions are required by the District.

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS:-

The District maintains two Enterprise funds to account for the operations of Food Service and Uniform School Supply Sales. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of District as of and for the year ended June 30, 2000.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS:- (continued)

	<u>FOOD SERVICE</u>	<u>UNIFORM SCHOOL SUPPLIES FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
Operating revenues	\$ 156,528	\$ 5,116	\$ 161,644
Depreciation	2,505	-0-	2,505
Operating loss	(119,509)	(5,179)	(124,688)
Non-operating revenues:-			
Operating grants	83,171	-0-	83,171
Donated commodities	27,490	-0-	27,490
Net loss	(8,069)	(5,179)	(13,248)
Net working capital	912	10,134	11,046
Total assets	54,306	10,134	64,440
Long-term liabilities:-			
Payable from Fund Revenues	11,881	-0-	11,881
Total Fund Equity	10,017	10,134	20,151
Encumbrances	1,478	1,402	2,880

NOTE 13 - DEFINED BENEFIT PENSION PLANS:-

A. School Employees Retirement System

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 13 - DEFINED BENEFIT PENSION PLANS:- (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years June 30, 2000, 1999 and 1998, were \$110,600, \$58,134 and \$58,692, respectively; 41 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$64,878, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. SRS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issue a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, 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 to STRS for the fiscal years June 30, 2000, 1999 and 1998, were \$487,857, \$161,527 and \$263,081, respectively; 85 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$72,524, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by STRS or the SERS have an option to choose Social Security or the SERS/STRS. As of June 30, 2000, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 14 - POSTEMPLOYMENT BENEFITS:-

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$278,775 during fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999. As of July 1, 1999, eligible benefit recipients totaled \$95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.

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

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. 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 2000, the minimum pay has been established at \$12,400. The surcharge, added to 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 June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$71,217 during the 2000 fiscal year.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING:-

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

The Combined Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, All Governmental Fund Types is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when paid in cash (budget) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation,, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

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

	Governmental Fund Types			
	General	Special	Debt	Capital
	Fund	Revenue	Service	Projects
	Fund	Funds	Fund	Fund
Budget Basis	\$ 131,043	\$ (136,135)	\$ 74,972	\$ (68,020)
Net adjustment for Revenue Accruals	39,548	6,174	15,282	1,186
Net adjustment for Expenditure Accruals	104,023	(289)	(384,427)	(410)
Net Adjustment for Other Sources/(Uses)	(59,987)	12,173		2,814
Net Adjustment for Fund Reclassification		1,258		
Adjustment for Encumbrances	<u>115,197</u>	<u>26,462</u>	<u>383,930</u>	<u>3,602</u>
GAAP Basis	<u>\$ 329,824</u>	<u>\$ (90,357)</u>	<u>\$ 89,757</u>	<u>\$ (60,828)</u>

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 22 - CONTINGENT LIABILITIES:-

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of fund received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigations

The District was not involved in litigation as either plaintiff or defendant at period end.

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$4,387,461 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attenuation, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2000

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR</u>	<u>FEDERAL CFDA NUMBER</u>	<u>RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>NON-CASH DISBURSE- MENTS</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:-</u>					
Pass-Through Ohio Department of Education Nutrition Cluster;					
Food Distribution Program	10.550	\$ 0	\$ 25,157	\$ -0-	\$ 27,490
National School Lunch Program	10.555	<u>79,100</u>	<u>-0-</u>	<u>79,100</u>	<u>-0-</u>
Total U.S. Department of Agriculture - Nutrition Cluster		79,100	25,157	79,100	27,490
<u>U.S. DEPARTMENT OF EDUCATION:-</u>					
Pass-Through Ohio Department of Education					
Special Education Grants to States (IDEA Part B)	84.027	79,381	-0-	80,378	-0-
Grants to Local Educational Agencies (ESEA Title I)	84.010	<u>148,848</u>	<u>-0-</u>	<u>240,996</u>	<u>-0-</u>
Total Special Education Cluster		228,229	-0-	321,374	-0-
Innovative Educational Program Strategies	84.298	6,649	-0-	6,061	-0-
Class Size Reduction	84.340	9,751	-0-	8,586	-0-
Tech Literacy Subsidiary	84.318	62,500	-0-	97,653	-0-
Reading Excellence	84.338	<u>5,216</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Department of Education		<u>312,345</u>	<u>-0-</u>	<u>433,674</u>	<u>-0-</u>
Total Federal Assistance		<u>\$ 391,445</u>	<u>\$ 25,157</u>	<u>\$ 512,774</u>	<u>\$ 27,490</u>

The accompanying notes are an integral part of this statement.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2000

NOTE A – SIGNIFICANT ACCOUNTING POLICIES:-

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

NOTE B – FOOD DISTRIBUTION:-

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule as 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.



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Cardington-Lincoln Local School District
Morrow County
Cardington, Ohio 43315

We have audited the financial statements of Cardington-Lincoln Local School District as of and for the year ended June 30, 2000, and have issued our report thereon dated December 5, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cardington-Lincoln Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions with laws, regulation, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Cardington-Lincoln Local School District in a separate letter dated December 5, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cardington-Lincoln Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we also noted other matters involving the internal control over financial reporting that we have reported to the management of Cardington-Lincoln Local School District in a separate letter dated December 5, 2000.

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

Shulbrook & Mante

Certified Public Accountants

December 5, 2000
Marion, Ohio



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

Board of Education
Cardington-Lincoln Local School District
Morrow County
Cardington, OH 43315

Compliance

We have audited the compliance of Cardington-Lincoln Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

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

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

Shelbrook & Manton

Certified Public Accountants

December 5, 2000
Marion, Ohio

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported noncompliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under §.510	No
Major Programs (list):	Grants to Local Educational Agencies (ESEA Title I) CFDA 84.010
Dollar Threshold: Type A\B Programs	Type A> \$300,000 Type B: all others
Low Risk Auditee?	Yes

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2000

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED	EXPLANATION
99-001	Y2K	Yes	Systems appear not to have been affected by Y2K issues.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT

MORROW 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
JANUARY 30, 2001**