



**COLONEL CRAWFORD LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Colonel Crawford Local School District
Crawford County
2303 State Route 602
North Robinson, Ohio 44856

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Colonel Crawford Local School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the 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 the District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type 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 8, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

JIM PETRO
Auditor of State

December 8, 1999

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
ASSETS AND OTHER DEBITS								
ASSETS:								
Equity in pooled cash and cash equivalents	\$902,397	\$56,001	\$9	\$3,340	\$45,408			\$1,007,155
Receivables (net of allowances of uncollectibles):								
Property taxes - current & delinquent . .	3,647,361							3,647,361
Accounts	1,693	2,577		66				4,336
Due from other governments	7,692			5,207				12,899
Prepayments	21,741							21,741
Materials and supplies inventory.	17,605			2,372				19,977
Inventory held for resale	7,689							7,689
Restricted assets:								
Equity in pooled cash and cash equivalents	81,585							81,585
Property, plant and equipment (net of accumulated depreciation where applicable).				1,323		\$4,819,821		4,821,144
OTHER DEBITS:								
Amount to be provided for retirement of general long-term obligations.							734,720	734,720
Total assets and other debits.	<u>\$4,687,763</u>	<u>\$58,578</u>	<u>\$9</u>	<u>\$12,308</u>	<u>\$45,408</u>	<u>\$4,819,821</u>	<u>\$734,720</u>	<u>\$10,358,607</u>

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999
(Continued)

	<u>Governmental Fund Types</u>			<u>Proprietary</u>	<u>Fiduciary</u>	<u>Account Groups</u>		<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Capital</u> <u>Projects</u>	<u>Enterprise</u>	<u>Agency</u>	<u>General</u> <u>Fixed</u> <u>Assets</u>	<u>General</u> <u>Long-Term</u> <u>Obligations</u>	
<u>LIABILITIES, EQUITY</u>								
<u>AND OTHER CREDITS</u>								
<u>LIABILITIES:</u>								
Accounts payable	\$4,090	\$111						\$4,201
Accrued wages and benefits	587,906	21,609		\$19,830				629,345
Compensated absences payable	11,974			8,808			\$352,709	373,491
Pension obligation payable	80,850	1,234		12,849			37,464	132,397
Deferred revenue	2,660,589			799				2,661,388
Due to students					\$45,408			45,408
Waterline project payable							127,855	127,855
Bus garage loan payable							166,314	166,314
Obligation under capital lease							50,378	50,378
Total liabilities.	<u>3,345,409</u>	<u>22,954</u>		<u>42,286</u>	<u>45,408</u>		<u>734,720</u>	<u>4,190,777</u>
<u>EQUITY AND OTHER CREDITS:</u>								
Investment in general fixed assets.						\$4,819,821		4,819,821
Retained earnings (accumulated deficit):								
unreserved				(29,978)				(29,978)
Fund balances:								
Reserved for encumbrances	41,032							41,032
Reserved for materials and supplies								
inventory.	25,294							25,294
Reserved for prepayments	21,741							21,741
Reserved for tax revenue unavailable								
for appropriation.	986,772							986,772
Reserved for budget stabilization.	81,585							81,585
Unreserved-undesignated.	185,930	35,624	\$9					221,563
Total equity and other credits	<u>1,342,354</u>	<u>35,624</u>	<u>9</u>	<u>(29,978)</u>		<u>4,819,821</u>		<u>6,167,830</u>
Total liabilities, equity and other credits	<u>\$4,687,763</u>	<u>\$58,578</u>	<u>\$9</u>	<u>\$12,308</u>	<u>\$45,408</u>	<u>\$4,819,821</u>	<u>\$734,720</u>	<u>\$10,358,607</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>				<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
From local sources:					
Taxes	\$3,501,964				\$3,501,964
Tuition	427,300				427,300
Earnings on investments	81,385				81,385
Other local revenues	66,523	\$90,120		\$1,530	158,173
Other revenue	14,741				14,741
Intergovernmental - State	2,408,654	24,188		89,315	2,522,157
Intergovernmental - Federal		145,897			145,897
Total revenue	6,500,567	260,205		90,845	6,851,617
Expenditures:					
Current:					
Instruction:					
Regular	2,846,545	27,747		77,974	2,952,266
Special	707,649	122,808			830,457
Other	4,121				4,121
Support services:					
Pupil	300,011	3,582		722	304,315
Instructional staff	238,682	5,190			243,872
Board of Education	97,708				97,708
Administration	655,256				655,256
Fiscal	202,544				202,544
Operations and maintenance	565,433			22,923	588,356
Pupil transportation	489,454				489,454
Central	10,712	5,000			15,712
Community services	1,632				1,632
Extracurricular activities	168,584	83,712			252,296
Facilities acquisition and construction	100,732			192,556	293,288
Debt service:					
Principal retirement	47,191		\$11,686		58,877
Interest and fiscal charges	14,909		6,385		21,294
Total expenditures	6,451,163	248,039	18,071	294,175	7,011,448
Excess (deficiency) of revenues over (under) expenditures	49,404	12,166	(18,071)	(203,330)	(159,831)
Other financing sources (uses):					
Operating transfers in			18,071		18,071
Operating transfers out	(18,071)				(18,071)
Proceeds from loan				178,000	178,000
Proceeds from sale of fixed assets	65				65
Total other financing sources (uses)	(18,006)		18,071	178,000	178,065
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	31,398	12,166	0	(25,330)	18,234
Fund balance, July 1 (restated)	1,305,123	23,458	0	25,339	1,353,920
Increase in reserve for inventory	5,833				5,833
Fund balance, June 30	\$1,342,354	\$35,624	\$0	\$9	\$1,377,987

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30,1999**

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$3,475,285	\$3,475,285	\$0										\$3,475,285	\$3,475,285	\$0
Tuition.....	427,300	427,300	0										427,300	427,300	0
Earnings on investments.....	76,361	81,385	5,024										76,361	81,385	5,024
Other local revenues.....	63,965	64,003	38	\$91,311	\$91,311	\$0				\$1,530	\$1,530	\$0	156,806	156,844	38
Other revenue.....	14,741	14,741	0										14,741	14,741	0
Intergovernmental - State.....	2,406,098	2,406,098	0	24,187	24,187	0				89,315	89,315	0	2,519,600	2,519,600	0
Intergovernmental - Federal.....				144,627	144,627	0							144,627	144,627	0
Total revenues.....	<u>6,463,750</u>	<u>6,468,812</u>	<u>5,062</u>	<u>260,125</u>	<u>260,125</u>	<u>0</u>				<u>90,845</u>	<u>90,845</u>	<u>0</u>	<u>6,814,720</u>	<u>6,819,782</u>	<u>5,062</u>
Expenditures:															
Current:															
Instruction:															
Regular.....	2,887,661	2,887,661	0	26,488	26,488	0				77,976	77,976	0	2,992,125	2,992,125	0
Special.....	737,746	737,746	0	120,604	120,604	0							858,350	858,350	0
Other.....	4,121	4,121	0										4,121	4,121	0
Support services:															
Pupil.....	307,954	307,954	0	3,582	3,582	0				721	721	0	312,257	312,257	0
Instructional staff.....	236,550	236,550	0	5,178	5,178	0							241,728	241,728	0
Board of Education.....	98,015	98,015	0										98,015	98,015	0
Administration.....	643,030	643,030	0										643,030	643,030	0
Fiscal.....	203,614	203,614	0										203,614	203,614	0
Operations and maintenance.....	548,198	548,198	0							22,923	22,923	0	571,121	571,121	0
Pupil transportation.....	493,091	493,091	0										493,091	493,091	0
Central.....	10,788	10,788	0	5,000	5,000	0							15,788	15,788	0
Community services.....	1,634	1,634	0										1,634	1,634	0
Extracurricular activities.....	178,644	178,644	0	83,599	83,599	0							262,243	262,243	0
Facilities acquisition & construction..	116,310	116,310	0							192,555	192,555	0	308,865	308,865	0
Debt service:															
Principal retirement.....							\$11,686	\$11,686	\$0				11,686	11,686	0
Interest and fiscal charges.....							6,385	6,385	0				6,385	6,385	0
Total expenditures.....	<u>6,467,356</u>	<u>6,467,356</u>	<u>0</u>	<u>244,451</u>	<u>244,451</u>	<u>0</u>	<u>18,071</u>	<u>18,071</u>	<u>0</u>	<u>294,175</u>	<u>294,175</u>	<u>0</u>	<u>7,024,053</u>	<u>7,024,053</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures.....	(3,606)	1,456	5,062	15,674	15,674	0	(18,071)	(18,071)	0	(203,330)	(203,330)	0	(209,333)	(204,271)	5,062
Other financing sources (uses):															
Refund of prior year's expenditures.....	1,389	1,389	0	30	30	0							1,419	1,419	0
Refund of prior year's (receipts).....	(31)	(31)	0										(31)	(31)	0
Operating transfers in.....				15,866	15,866	0	18,071	18,071	0				33,937	33,937	0
Operating transfers (out).....	(18,071)	(18,071)	0	(15,866)	(15,866)	0							(33,937)	(33,937)	0
Proceeds from sale of fixed assets.....	65	65	0										65	65	0
Proceeds from loan.....										178,000	178,000	0	178,000	178,000	0
Total other financing sources (uses).....	<u>(16,648)</u>	<u>(16,648)</u>	<u>0</u>	<u>30</u>	<u>30</u>	<u>0</u>	<u>18,071</u>	<u>18,071</u>	<u>0</u>	<u>178,000</u>	<u>178,000</u>	<u>0</u>	<u>179,453</u>	<u>179,453</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(20,254)	(15,192)	5,062	15,704	15,704	0	0	0	0	(25,330)	(25,330)	0	(29,880)	(24,818)	5,062
Fund balance, July 1.....	869,359	869,359	0	38,184	38,184	0	0	0	0	21,613	21,613	0	929,156	929,156	0
Prior year encumbrances appropriated...	86,904	86,904	0	2,115	2,115	0	0	0	0	3,726	3,726	0	92,745	92,745	0
Fund balance, June 30.....	<u>\$936,009</u>	<u>\$941,071</u>	<u>\$5,062</u>	<u>\$56,003</u>	<u>\$56,003</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9</u>	<u>\$9</u>	<u>\$0</u>	<u>\$992,021</u>	<u>\$997,083</u>	<u>\$5,062</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Sales/charges for services	\$200,808
Total operating revenues	200,808
Operating expenses:	
Personal services	147,811
Contract services	1,822
Materials and supplies	115,615
Depreciation	908
Other	682
Total operating expenses	266,838
Operating loss	(66,030)
Nonoperating revenues:	
Grants	43,292
Federal commodities	10,316
Interest revenue	279
Total nonoperating revenues	53,887
Net loss	(12,143)
Accumulated deficit, July 1 (restated)	(17,835)
Accumulated deficit, June 30	(\$29,978)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	
Cash received from sales/service charges	\$200,813
Cash payments for personal services	(144,234)
Cash payments for contract services	(1,822)
Cash payments supplies and materials	(106,126)
Cash payments for other expenses	(682)
	(52,051)
Cash flows from noncapital financing activities:	
Cash received from operating grants	38,085
	38,085
Cash flows from investing activities:	
Interest received	279
	279
Net decrease in cash and cash equivalents	(13,687)
Cash and cash equivalents at beginning of year	17,027
Cash and cash equivalents at end of year	\$3,340
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(66,030)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	908
Federal donated commodities	10,316
Changes in assets and liabilities:	
Increase in materials and supplies inventory	(9)
Decrease in accounts receivable	5
Increase in accrued wages & benefits	698
Increase in compensated absences payable	1,329
Increase in pension obligation payable	1,550
Decrease in deferred revenue	(818)
	(52,051)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

1. DESCRIPTION OF THE SCHOOL DISTRICT

The Colonel Crawford Local School District ("District") is located in Crawford County and encompasses all or parts of five towns and villages. The District serves an area of approximately 120 square miles.

The District was established in 1961 through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Articles 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 ranks as the 492nd largest by enrollment among the 612 districts in the State, and 5th in Crawford County. It currently operates 2 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 43 non-certified and 75 certified employees to provide services to 1,048 students in grades K through 12 and various community groups.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) 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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. 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". When applying GASB Statement No. 14, management has considered all potential component units.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

INSURANCE POOLS:

Wyandot Crawford Health Benefit Plan

The District is a member of the Wyandot Crawford Health Benefit Plan, which is a consortium established between the District, Galion City Schools, Carey Exempted Village Schools, Buckeye Central Local Schools, and Upper Sandusky Exempted Village Schools to act as a common risk management and insurance program. Refer to Note 11 for further information on this insurance pool.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool. Refer to Note 11 for further information on this insurance pool.

JOINT VENTURE WITHOUT EQUITY INTEREST:

North Central Ohio Computer Cooperative (NCOCC)

The NCOCC is a joint venture among 21 school districts and 3 county educational service centers. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NCOCC based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. NCOCC is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in NCOCC as the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. 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 expendable available financial 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 FUNDS

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 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.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

GOVERNMENTAL FUNDS (Continued)

Debt Service Fund - The 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 Fund - The capital projects funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUNDS

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

Enterprise Fund - The enterprise fund is used to account for operations (a) that are 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 revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Fiduciary 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 an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for an analysis of agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.

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, other than those accounted for in the proprietary funds.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

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 are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing 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 all 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.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the GPFS. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance 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 tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue.

The District reports deferred revenue 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 recognition 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 (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: 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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they 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 on the combined balance sheet.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgets

Other than agency funds, the District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Crawford County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
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 fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. 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.
6. Formal budgetary integration is employed as a management control device during the year for all funds. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. 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 1999.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgets (Continued)

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 12 discloses encumbrances outstanding for the enterprise funds at June 30, 1999.

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" on the combined balance sheet.

During fiscal year 1999, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). These investments are short-term with a maturity within three months of the date of purchase. Investments in STAR Ohio are reported at fair value. Fair value is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 1999 amounted to \$81,385 which includes \$9,207 assigned from other District funds.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Inventory

Inventories for all 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 expensed when used rather than when purchased.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. 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 five years. 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. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

Asset	Life (years)
Buildings	25-50
Furniture, fixtures and minor equipment	5-20
Vehicles	4-6

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Intergovernmental Revenues (Continued)

Entitlements

General Fund
State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds
Management Information Systems
Title VI B
Title I
Title VI
Drug-Free Schools
Textbook/Instructional Materials Subsidy
Professional Development
Telecommunications Act Grant
STW Grants

Reimbursable Grants

General Fund
School Bus Purchases
Driver Education
Vocational Education Travel/Salary

Proprietary
National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 37% of the District's operating revenue during the 1999 fiscal year.

I. 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 severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Compensated Absences (Continued)

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 statute, plus any applicable additional salary related payments.

Accumulated vacation and severance 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.

J. Long-Term Obligations

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. Fund Equity

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

L. Interfund Transactions

During the course of normal operations, the District may have 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 show 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. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Interfund Transactions (Continued)

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 1999.
4. 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. The District had no long-term advances receivable or payable at June 30, 1999.

An analysis of interfund transactions is provided in Note 5.

N. 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 after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 17 for detail of statutory reserves.

O. Estimates

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

P. 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 benefitting 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.

Q. Memorandum Only - Total Columns

Total columns on the GPFS 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 GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

A. Fund Reclassification

A fund reclassification is required for the Uniform School Supplies enterprise fund to properly reflect its intended purpose. This fund should be reported as part of the general fund. The effect of this fund reclassification on fund balance/retained earnings as previously reported at June 30, 1998 is as follows:

	<u>General</u>	<u>Enterprise</u>
Fund balance/retained earnings (accumulated deficit) as previously reported	\$1,303,645	\$(16,357)
Fund reclassification	1,478	(1,478)
Restated fund balance/retained earnings (accumulated deficit) at July 1, 1998	<u>\$1,305,123</u>	<u>\$(17,835)</u>

B. Deficit Fund Balances/Retained Earnings

Fund balance/retained earnings at June 30, 1999 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Professional Development	\$ (11)
Title I	(691)
 <u>Enterprise Fund</u>	
Food Service	(29,978)

The deficit fund balances in the Professional Development and Title I special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages attributable to the fiscal year. This deficit balance will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Food Service enterprise fund is caused by the application of GAAP, namely in the reporting of a liability for accrued wages, pension obligations and compensated absences attributable to the fiscal year. These deficit balances will be eliminated by anticipated and future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

Each of these funds complied with Ohio state law, which does not permit a cash deficit at year end.

C. Agency Fund

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

<u>ASSETS</u>	
Accounts receivable	\$670

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

4. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings 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 invested or deposited 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year end, the carrying amount of the District's deposits was \$77,960 and the bank balance was \$176,176. Of the bank balance, \$100,000 was covered by federal depository insurance and \$76,176 was uninsured and un-collateralized. Although all State 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 FDIC.

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

The District's only investment at year end was in STAR Ohio. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The carrying value of the District's investment in STAR Ohio at June 30, 1999 was \$1,010,780.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,088,740	\$ 0
Investments of the cash management pool:		
Investment in STAR Ohio	<u>(1,010,780)</u>	<u>1,010,780</u>
GASB Statement No. 3	<u>\$ 77,960</u>	<u>\$1,010,780</u>

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

5. INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 1999:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund</u>	\$ ---	\$18,071
<u>Debt Service Fund</u>		
Bus Garage Debt	18,071	---
Totals	<u>\$18,071</u>	<u>\$18,071</u>

6. PROPERTY TAXES

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 (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% 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% 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 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1998 taxes were collected was \$101,023,860. Agricultural/residential and public utility real estate represented 59.92% or \$60,533,270 of this total; Commercial & industrial real estate represented 8.51% or \$8,596,510 of this total, public utility tangible represented 6.22% or \$6,286,380 of this total and general tangible property represented 25.35% or \$25,607,700 of this total. The voted general tax rate for operations at the fiscal year ended June 30, 1999 was \$50.20 per \$1,000.00 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The Crawford County Treasurer collects property tax on behalf of the District. The Crawford 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 represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. 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. A total of \$986,772 was available to the District as an advance at June 30, and is recognized as revenue.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

6. PROPERTY TAXES (Continued)

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, 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.

7. RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All intergovernmental receivables have been classified as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$3,647,361
Accounts	1,693
Due from other governments	7,692
 <u>Special Revenue Funds</u>	
Accounts	2,577
 <u>Enterprise Fund</u>	
Accounts	66
Due from other governments	5,207

8. CAPITAL LEASES

The District has entered into a lease agreement as lessee for financing the acquisition of computer equipment. The lease agreement qualifies as a capital lease for accounting purposes (the lease contains a bargain purchase option) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 1999:

<u>Fiscal Year Ending June 30</u>	<u>General Long-Term Debt</u>
2000	\$46,500
2001	<u>7,750</u>
Total minimum lease payments	54,250
Less: amount of interest	<u>(3,872)</u>
Present value of future minimum lease payments	<u>\$50,378</u>

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

8. CAPITAL LEASES (Continued)

During 1999, the District made \$37,984 in principal payments and \$8,536 in interest payments on the capital lease obligation. Principal and interest payments are reported in the District's general fund. The remaining lease obligation at June 30, 1999 of \$50,378 is reported in the general long-term obligations account group.

9. FIXED ASSETS

General Fixed Assets

The general fixed assets account group has been restated as of July 1, 1998 due to errors and omissions in the reporting of certain capital assets.

	<u>Balance June 30, 1998</u>	<u>Correction</u>	<u>Restated Balance July 1, 1998</u>
Land/ improvements	\$ 660,385	\$ ---	\$ 660,385
Buildings	2,093,072	---	2,093,072
Furniture/ equipment	950,725	(52,777)	897,948
Vehicles	<u>638,552</u>	<u>---</u>	<u>638,552</u>
Total	<u>\$4,342,734</u>	<u>\$(52,777)</u>	<u>\$4,289,957</u>

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Restated Balance July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1999</u>
Land/ improvements	\$ 660,385	\$ ---	\$ (9,060)	\$ 651,325
Buildings	2,093,072	286,265	---	2,379,337
Furniture/ equipment	897,948	164,326	(21,915)	1,040,359
Vehicles	<u>638,552</u>	<u>117,748</u>	<u>(7,500)</u>	<u>748,800</u>
Total	<u>\$4,289,957</u>	<u>\$568,339</u>	<u>\$(38,475)</u>	<u>\$4,819,821</u>

There was no significant construction in progress.

A summary of the proprietary fixed assets at June 30, 1999 follows:

Furniture and equipment	\$ 67,841
Less: accumulated depreciation	<u>(66,518)</u>
Net fixed assets	<u>\$ 1,323</u>

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

10. LONG-TERM OBLIGATIONS

A. During the year ended June 30, 1999, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences will be paid from the fund in which the employee was paid.

	<u>Balance</u> <u>July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 1999</u>
Compensated absences	\$182,003	\$208,002	\$ (37,296)	\$352,709
Pension obligation payable	39,814	37,464	(39,814)	37,464
Capital lease payable	88,362	---	(37,984)	50,378
Bus garage loan payable	0	178,000	(11,686)	166,314
Waterline project payable	<u>137,062</u>	<u>---</u>	<u>(9,207)</u>	<u>127,855</u>
TOTAL	<u>\$447,241</u>	<u>\$423,466</u>	<u>\$(135,987)</u>	<u>\$734,720</u>

Waterline Project

The District entered into an agreement with the Crawford County Commissioners on November 19, 1996 regarding costs for a water system improvement project in Sewer District No. 2. Under this agreement, the District will pay \$159,584 over a period of fifteen years in return for exemption from tap-in charges. Interest on this obligation will be calculated at a rate indexed to the rate of interest paid by the Crawford County Commissioners on its debt arising from this project. During fiscal 1999, the District made \$9,207 in principal payments and \$6,373 in interest payments on this obligation.

Principal and interest payments are reported in the District's general fund. \$127,855, representing the remaining principal obligation at June 30, 1999, is reported in the general long-term obligations account group.

Bus Garage Loan

The District entered into a bus garage lease purchase agreement on September 10, 1998. Under this agreement, the District will pay quarterly installments of \$24,095 over a period of 10 years. Interest on this loan is a variable rate calculated at 75% of the Prime Rate in effect as of the first day of each month. During fiscal 1999, the District made \$11,686 in principal payments and \$6,385 in interest payments on this obligation. Principal and interest payments are reported in the District's debt service fund. \$166,314, representing the remaining principal obligation at June 30, 1999, is reported in the general long-term obligations account group.

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$9,092,147 and an unvoted debt margin of \$101,024.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

11. RISK MANAGEMENT

1. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District contracts with Nationwide Mutual Insurance Company for general liability insurance with a \$2,000,000 single occurrence limit and a \$5,000,000 aggregate, along with a \$2,000,000 umbrella for uninsured underinsured motorists. Property is protected by Cincinnati Insurance Company and holds a \$500 deductible. Real property and contents are 100% coinsured.

The bus fleet and maintenance vehicles are insured by the Nationwide Mutual Fire Insurance Company and hold a \$500 collision deductible and a \$250 comprehensive deductible and a \$2,000,000 limit per occurrence.

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

2. Employee Health Insurance

In January 1995, the District joined together with two other school districts in the State to form the Wyandot Crawford Health Benefit Plan (WCHBP), a public entity risk pool currently operating as a common risk management and insurance program. The WCHBP now includes five school districts. The District pays an annual premium to the pool for its general insurance coverage. The risk of loss transfers entirely from the District to WCHBP. The Agreement for formation of the WCHBP provides that the WCHBP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

3. Workers Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2.A.). 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 coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to 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.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

12. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains one enterprise fund which provides lunchroom/cafeteria services, therefore segment information for the year ended June 30, 1999 is not presented. The enterprise fund had no encumbrances outstanding at June 30, 1999.

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 public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 7.7 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates 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 ended June 30, 1999, 1998, and 1997 were \$108,385, \$103,508, and \$101,879, respectively; 52.51 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$51,474 representing the unpaid contribution for fiscal year 1999, 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. STRS 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 issues 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 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used 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 ended June 30, 1999, 1998, and 1997 were \$413,277, \$406,014, and \$384,187, respectively; 83.62 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1998 and 1997. \$67,666 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System.

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By 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 District, this amount equaled \$236,158 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219.224 million and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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 4.98 percent of covered payroll. 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 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111.9 million and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$52,643 during the 1999 fiscal year.

15. BUDGETARY BASIS OF ACCOUNTING

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

15. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) 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:

**Excess of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(15,192)	\$15,704	\$ 0	\$(25,330)
Net adjustment for revenue accruals	31,755	80	---	---
Net adjustment for expenditure accruals	(26,717)	(3,588)	---	---
Net adjustment for other financing sources (uses)	(1,358)	(30)	---	---
Encumbrances (budget basis)	<u>42,910</u>	<u>---</u>	<u>---</u>	<u>---</u>
GAAP basis	<u>\$ 31,398</u>	<u>\$12,166</u>	<u>\$ 0</u>	<u>\$(25,330)</u>

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

16. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

C. State 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 that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$2,103,890 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has 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. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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 this program and on its financial operations.

17. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

17. STATUTORY RESERVES (Continued)

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance at 7/1/98	\$ 0	\$ 0	\$33,249	\$ 33,249
Required Set-Aside	96,673	96,673	48,336	241,682
Offset Credits	---	---	---	---
Qualifying Expenditures	<u>(96,673)</u>	<u>(96,673)</u>	<u>---</u>	<u>(193,346)</u>
Balance at 6/30/99	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$81,585</u>	<u>\$ 81,585</u>

18. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal year 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, fixed assets accounting and educational statistics reporting.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits, the State of Ohio Equipment Inventory System for its fixed assets accounting and the State of Ohio Education Management and Information System (EMIS) for its education statistics reporting. The State is responsible for remediating these systems.

Crawford County collects property taxes for distribution to the District. Crawford County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of basic state aid "school foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

19. SIGNIFICANT SUBSEQUENT EVENTS

Board Member Ms. Ann Miller resigned effective June 28, 1999 and Mr. Glen Cole was appointed on July 13, 1999 to fulfill her term which expires December 31, 1999. Two board seats are open in the November 1999 elections.

Mr. Jim Metcalf resigned as Superintendent of the District effective August 27, 1999. Mr. Paul Hickman was hired as the District's Superintendent effective August 30, 1999.

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Colonel Crawford Local School District
Crawford County
2303 State Route 602
North Robinson, Ohio 44856

To the Board of Education:

We have audited the general purpose financial statements of the Colonel Crawford Local School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 1999 and have issued our report thereon dated December 8, 1999. 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 the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 8, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Colonel Crawford Local School District
Crawford County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

JIM PETRO
Auditor of State

December 8, 1999



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COLONEL CRAWFORD LOCAL SCHOOL DISTRICT

CRAWFORD 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 25, 2000**