

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
*(Audited)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008***

**AARON BUTTS, TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Cardington-Lincoln Local School District  
121 Nichols Street  
Cardington, Ohio 43315

We have reviewed the *Independent Auditor's Report* of the Cardington-Lincoln Local School District, Morrow County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 11, 2008

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**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Auditor's Report

Board of Education  
Cardington-Lincoln Local School District  
121 Nichols Street  
Cardington, OH 43315

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cardington-Lincoln Local School District, Morrow County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Cardington-Lincoln Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cardington-Lincoln Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

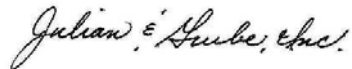
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cardington-Lincoln Local School District, Morrow County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of Cardington-Lincoln Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report  
Cardington-Lincoln Local School District  
Page Two

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cardington-Lincoln Local School District's basic financial statements. The accompanying schedule of receipts and 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 basic financial statements of Cardington-Lincoln Local School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 5, 2008

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

The management's discussion and analysis of the Cardington-Lincoln Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$1,224,510 which represents a 4.13% decrease from 2007.
- General revenues accounted for \$10,330,209 in revenue or 79.60% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,647,124 or 20.40% of total revenues of \$12,977,333.
- The District had \$13,993,909 in expenses related to governmental activities; \$2,647,124 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,330,209 were not adequate to provide for these programs.
- The District's has two major governmental funds, the general fund and bond retirement fund. The general fund had \$11,073,043 in revenues and other financing sources and \$10,981,885 in expenditures. During fiscal year 2008, the general fund's fund balance increased \$91,158 from \$1,995,472 to \$2,086,630.
- The bond retirement fund had \$760,894 in revenues and \$528,041 in expenditures. During fiscal year 2008, the bond retirement fund's fund balance increased \$232,853 from \$1,220,781 to \$1,453,634.

**Using the Basic Financial Statements**

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

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

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues* and *expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.



**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, administration, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The statement of net assets and statement of activities can be found on pages 13 and 14 of this report.

The government-wide financial statements include not only Cardington-Lincoln Local School District itself (known as the primary government), but also a legally separate community school district for which the District is financially accountable. Financial information for the component unit, Cardington-Lincoln Local Digital Academy, is reported separately from the financial information presented for the primary government itself.

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19.

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-55 of this report.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**The District as a Whole**

Recall that the statement of net assets provides the perspective of the District as a whole. A comparative analysis has been provided.

The table below provides a summary of the District's net assets for 2008 and 2007.

	<b>Net Assets</b>	
	Governmental Activities 2008	Governmental Activities 2007
<b><u>Assets</u></b>		
Current and other assets	\$ 7,989,241	\$ 8,791,153
Capital assets, net	<u>29,359,060</u>	<u>30,752,260</u>
Total assets	<u>37,348,301</u>	<u>39,543,413</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,012,946	3,717,670
Long-term liabilities	<u>5,912,388</u>	<u>6,178,266</u>
Total liabilities	<u>8,925,334</u>	<u>9,895,936</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	24,284,066	25,363,829
Restricted	2,755,814	2,859,113
Unrestricted	<u>1,383,087</u>	<u>1,424,535</u>
Total net assets	<u>\$ 28,422,967</u>	<u>\$ 29,647,477</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$28,422,967. Of this total, \$1,383,087 is unrestricted in use.

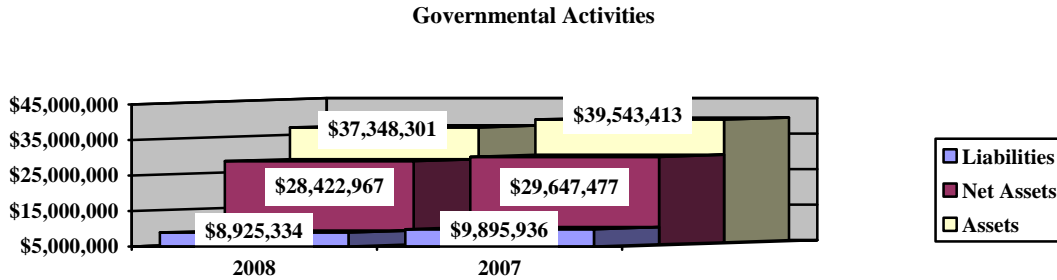
At year-end, capital assets represented 78.61% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008 were \$24,284,066. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,755,814, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,383,087 may be used to meet the District's ongoing obligations to the students and creditors.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

The graph below presents the District's assets, liabilities and net assets for fiscal years 2008 and 2007:



The table below shows the change in net assets for fiscal year 2008 and 2007.

**Change in Net Assets**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 975,556	\$ 1,018,034
Operating grants and contributions	1,623,747	1,723,850
Capital grants and contributions	47,821	14,468
General revenues:		
Property taxes	3,216,049	2,664,516
Grants and entitlements	6,590,279	6,410,421
Payment in lieu of taxes	285,929	139,601
Investment earnings	178,365	271,057
Other	59,587	139,039
Total revenues	<u>12,977,333</u>	<u>12,380,986</u>

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

	<b>Change in Net Assets</b>	
	Governmental Activities 2008	Governmental Activities 2007
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,668,411	\$ 5,205,830
Special	1,183,986	940,467
Vocational	357,557	347,174
Other	1,343,356	1,421,455
Support services:		
Pupil	466,996	418,154
Instructional staff	524,259	499,770
Board of education	24,008	17,519
Administration	908,202	915,387
Fiscal	249,229	224,253
Operations and maintenance	1,576,123	1,715,476
Pupil transportation	599,888	559,416
Operations of non-instructional services:		
Food service operations	511,825	484,936
Other non-instructional services	1,522	-
Extracurricular activities	326,133	369,060
Interest and fiscal charges	<u>252,414</u>	<u>256,071</u>
Total expenses	<u>13,993,909</u>	<u>13,374,968</u>
<b><u>Extraordinary item</u></b>		
Refund to Ohio Schools Facilities Commission	<u>(207,934)</u>	<u>-</u>
Change in net assets	(1,224,510)	(993,982)
Net assets at beginning of year	<u>29,647,477</u>	<u>30,641,459</u>
Net assets at end of year	<u>\$ 28,422,967</u>	<u>\$ 29,647,477</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$1,224,510. Total governmental expenses of \$13,993,909, excluding the special item which is the refund due to Ohio Schools Facilities Commission of \$207,934, were offset by program revenues of \$2,647,124 and general revenues of \$10,330,209. Program revenues supported 18.92% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 75.57% of total governmental revenue.

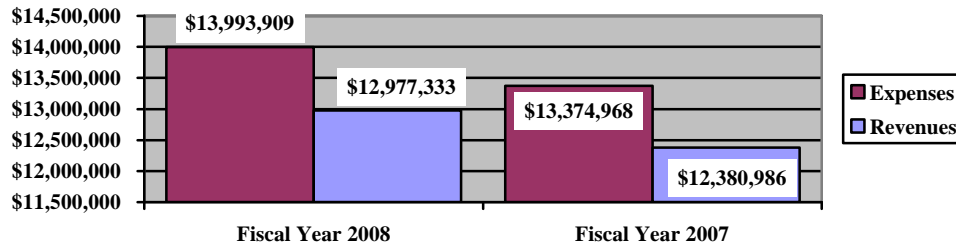
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,553,310 or 61.12% of total governmental expenses for fiscal year 2008.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,668,411	\$ 5,035,925	\$ 5,205,830	\$ 4,499,048
Special	1,183,986	(19,863)	940,467	(255,399)
Vocational	357,557	272,828	347,174	214,970
Other	1,343,356	1,338,236	1,421,455	1,368,624
Support services:				
Pupil	466,996	466,996	418,154	418,154
Instructional staff	524,259	469,649	499,770	439,170
Board of education	24,008	24,008	17,519	17,519
Administration	908,202	848,486	915,387	856,850
Fiscal	249,229	249,229	224,253	224,253
Operations and maintenance	1,576,123	1,522,092	1,715,476	1,698,476
Pupil transportation	599,888	577,265	559,416	536,793
Operations of non-instructional services:				
Food service operations	511,825	91,833	484,936	82,091
Other non-instructional services	1,522	1,522	-	-
Extracurricular activities	326,133	216,165	369,060	261,996
Interest and fiscal charges	<u>252,414</u>	<u>252,414</u>	<u>256,071</u>	<u>256,071</u>
<b>Total expenses</b>	<u>\$ 13,993,909</u>	<u>\$ 11,346,785</u>	<u>\$ 13,374,968</u>	<u>\$ 10,618,616</u>

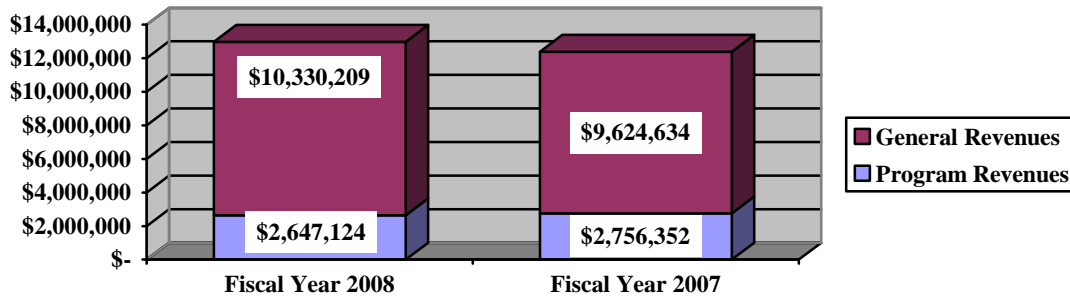
The dependence upon tax and other general revenues for governmental activities is apparent, 77.48% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.08%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$4,822,587, which is higher than last year's total of \$4,773,578. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)	Percentage Change
General	\$ 2,086,630	\$ 1,995,472	\$ 91,158	4.57 %
Bond retirement	1,453,634	1,220,781	232,853	19.07 %
Other governmental	1,282,323	1,557,325	(275,002)	(17.66) %
<b>Total</b>	<b>\$ 4,822,587</b>	<b>\$ 4,773,578</b>	<b>\$ 49,009</b>	<b>1.03 %</b>

**General Fund**

The District's general fund balance increased \$91,158. The increase in fund balance can be attributed to increasing revenues exceeding increasing expenditures.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2008 Amount	2007 Amount	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Taxes	\$ 2,467,359	\$ 2,046,782	\$ 420,577	20.55 %
Tuition	580,767	649,576	(68,809)	(10.59) %
Earnings on investments	153,883	235,868	(81,985)	(34.76) %
Intergovernmental	7,395,067	7,136,124	258,943	3.63 %
Other revenues	71,834	126,438	(54,604)	(43.19) %
Payment in lieu of taxes	285,923	139,601	146,322	104.81 %
<b>Total</b>	<b>\$ 10,954,833</b>	<b>\$ 10,334,389</b>	<b>\$ 620,444</b>	<b>6.00 %</b>

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 6,797,980	\$ 6,301,382	\$ 496,598	7.88 %
Support services	4,006,456	4,016,679	(10,223)	(0.25) %
Non-instructional services	1,522	-	1,522	100.00 %
Extracurricular activities	172,490	202,466	(29,976)	(14.81) %
Debt service	<u>3,437</u>	<u>5,000</u>	<u>(1,563)</u>	(31.26) %
 Total	 <u>\$ 10,981,885</u>	 <u>\$ 10,525,527</u>	 <u>\$ 456,358</u>	 4.34 %

Overall revenues of the general fund increased \$620,444 or 6.00%. Tax revenue increased \$420,577 or 20.55% from the prior year. This increase was primarily attributable to the amount of taxes collected and available to the District as an advance at fiscal year end. There was an approximate \$400,000 variance in the amount of tax advance that was available to the District from the County Auditor at June 30, 2008 versus June 30, 2007. This variance resulted in more tax revenue being reported in fiscal year 2008. The amount of tax advances available from the county auditor can vary depending upon when tax bills are mailed. Payment in lieu of taxes increased \$146,322 or 104.81% due to the timing and collection of receipts related to property tax exemption compensation.

Overall expenditures of the general fund increased \$456,358 or 4.34%. The most significant increase was in the area of instructional. This increase was due to an increase in wages, benefits and other operating costs for the District.

***Bond Retirement Fund***

The District's bond retirement fund, had \$760,894 in revenues and \$528,041 in expenditures. Tax revenue increased approximately \$132,000 primarily due to an increase in the amount of taxes collected and available as advance at year-end as described above. During fiscal year 2008, the bond retirement fund's fund balance increased \$232,853 from \$1,220,781 to \$1,453,634.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,044,124, which is \$167,258 lower than final budgeted revenues and other financing sources of \$10,211,382. Actual revenues and other financing sources for fiscal 2008 was \$10,650,559. This represents a \$439,177 increase over final budgeted revenues. The increase is primarily due to the conservative nature of budgeting by the District.

General fund original appropriations totaled \$10,894,349, which is \$750 lower than the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$11,015,107, which is \$120,008 more than the final budget appropriations.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2008, the District had \$29,359,060 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2008 balances compared to 2007.

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

	Governmental Activities	
	2008	2007
Land	\$ 279,100	\$ 279,100
Land improvements	1,479,791	1,591,931
Building and improvements	27,069,745	28,236,911
Furniture and equipment	407,746	459,501
Vehicles	122,678	184,817
Total	\$ 29,359,060	\$ 30,752,260

The overall decrease in capital assets of \$1,393,200 is due to current year depreciation expense of \$1,393,200. The District did not acquire any assets in 2008 above their capitalization threshold.

See Note 7 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2008, the District had \$5,326,445 in general obligation bonds outstanding. Of this total, \$320,000 is due within one year and \$5,006,445 is due in more than one year. The following table summarizes the bonds and loans outstanding:



**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Outstanding Debt, at Year End**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Asbestos removal notes	\$ -	\$ 3,437
Current interest bonds - series 2002	745,000	915,000
Capital appreciation bonds - series 2002	259,996	259,996
Accreted interest - series 2002	162,032	131,725
Current interest bonds - series 2003	2,955,000	3,055,000
Capital appreciation bonds - series 2003	74,998	74,998
Accreted interest - series 2003	63,810	47,730
Current interest bonds - auditorium	1,000,000	1,040,000
Capital appreciation bonds - auditorium	40,000	40,000
Accreted interest - auditorium	<u>25,609</u>	<u>17,975</u>
 Total	 <u>\$ 5,326,445</u>	 <u>\$ 5,585,861</u>

At June 30, 2008, the District's overall legal debt margin was \$5,995,091 and an unvoted debt margin of \$106,849.

See Note 8 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

Funding

The District historically receives 67% of its operating revenues through State foundation formula for school funding. Adjustments to the funding formula by the State to phase in parity aid have contributed the most significant amount of revenue to the District over the past three fiscal years. The State's new biennium for fiscal year 2009 will provide new funding to the District as unrestricted funds. From 1998 to 2007, local property values have increased 59% or \$59 million. This increase represents a shift in revenues to the District of less State funding and more local dependence on property tax collections. The District's last levy that provided additional operating funds to the District was passed in 1986.

Budget

70% of the general fund budget is expended for employee wages and fringe benefits. In the most recent preceding years, the District has been able to successfully manage the rising cost of health insurance premiums to keep renewal premium increases around 15%. However, the unknown nature of the insurance industry makes us very cautious when planning for the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Aaron Butts, Cardington-Lincoln Local School District, 121 Nichols Street Annex, Cardington, Ohio 43315-1121.

**BASIC  
FINANCIAL STATEMENTS**

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Cardington-Lincoln Local Digital Academy</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 5,345,971	\$ 135,322
Cash with escrow agent . . . . .	1,954	-
Receivables:		
Taxes . . . . .	2,546,747	-
Accounts . . . . .	27,125	-
Intergovernmental . . . . .	35,974	-
Accrued interest . . . . .	7,975	-
Prepayments. . . . .	12,872	-
Materials and supplies inventory . . . . .	10,623	-
Capital assets:		
Land . . . . .	279,100	-
Depreciable capital assets, net . . . . .	29,079,960	19,365
Capital assets, net. . . . .	29,359,060	19,365
 Total assets. . . . .	 37,348,301	 154,687
 <b>Liabilities:</b>		
Accounts payable. . . . .	6,938	31,703
Retainage payable . . . . .	1,954	-
Accrued wages and benefits . . . . .	850,459	-
Pension obligation payable. . . . .	230,431	-
Intergovernmental payable . . . . .	297,362	-
Unearned revenue . . . . .	1,609,899	-
Accrued interest payable . . . . .	15,903	-
Long-term liabilities:		
Due within one year . . . . .	350,305	-
Due in more than one year . . . . .	5,562,083	-
 Total liabilities . . . . .	 8,925,334	 31,703
 <b>Net Assets:</b>		
Invested in capital assets, net of related debt. . . . .	24,284,066	19,365
Restricted for:		
Capital projects . . . . .	475,475	-
Debt service . . . . .	1,472,239	-
School facilities projects . . . . .	709,816	-
Locally funded programs. . . . .	270	-
State funded programs . . . . .	15,680	661
Student activities. . . . .	53,858	-
Other purposes. . . . .	28,476	-
Unrestricted. . . . .	1,383,087	102,958
 Total net assets . . . . .	 \$ 28,422,967	 \$ 122,984

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Cardington Lincoln Local Digital Academy
<b>Governmental activities:</b>						
Instruction:						
Regular . . . . .	\$ 5,668,411	\$ 592,469	\$ 40,017	\$ -	\$ (5,035,925)	\$ -
Special . . . . .	1,183,986	-	1,203,849	-	19,863	-
Vocational . . . . .	357,557	-	84,729	-	(272,828)	-
Other . . . . .	1,343,356	-	5,120	-	(1,338,236)	-
Support services:						
Pupil. . . . .	466,996	-	-	-	(466,996)	-
Instructional staff . . . . .	524,259	-	54,610	-	(469,649)	-
Board of education . . . . .	24,008	-	-	-	(24,008)	-
Administration. . . . .	908,202	59,716	-	-	(848,486)	-
Fiscal. . . . .	249,229	-	-	-	(249,229)	-
Operations and maintenance . . . . .	1,576,123	-	12,000	42,031	(1,522,092)	-
Pupil transportation . . . . .	599,888	-	16,833	5,790	(577,265)	-
Operation of non-instructional services:						
Food service operations. . . . .	511,825	213,403	206,589	-	(91,833)	-
Other non-instructional services. . . . .	1,522	-	-	-	(1,522)	-
Extracurricular activities . . . . .	326,133	109,968	-	-	(216,165)	-
Interest and fiscal charges. . . . .	252,414	-	-	-	(252,414)	-
Total governmental activities . . . . .	<u>\$ 13,993,909</u>	<u>\$ 975,556</u>	<u>\$ 1,623,747</u>	<u>\$ 47,821</u>	<u>(11,346,785)</u>	<u>-</u>
<b>Component Unit:</b>						
Cardington-Lincoln						
Local Digital Academy . . . . .	<u>\$ 355,149</u>	<u>\$ -</u>	<u>\$ 252,556</u>	<u>\$ -</u>	<u>-</u>	<u>(102,593)</u>
<b>General Revenues:</b>						
Property taxes levied for:						
General purposes . . . . .					2,492,083	-
Special revenue . . . . .					48,554	-
Debt service. . . . .					675,412	-
Grants and entitlements not restricted						
to specific programs. . . . .					6,590,279	31,704
Payment in lieu of taxes . . . . .					285,929	-
Investment earnings . . . . .					178,365	590
Miscellaneous . . . . .					59,587	-
Total general revenues. . . . .					<u>10,330,209</u>	<u>32,294</u>
<b>Extraordinary item:</b>						
Refund to Ohio School Facilities Commission . . . . .					(207,934)	-
Total general revenues and special item . . . . .					<u>10,122,275</u>	<u>32,294</u>
Change in net assets . . . . .					(1,224,510)	(70,299)
<b>Net assets at beginning of year. . . . .</b>					<u>29,647,477</u>	<u>193,283</u>
<b>Net assets at end of year. . . . .</b>					<u>\$ 28,422,967</u>	<u>\$ 122,984</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 2,453,462	\$ 1,291,850	\$ 1,572,183	\$ 5,317,495
Receivables:				
Taxes . . . . .	1,995,845	510,677	40,225	2,546,747
Accounts . . . . .	27,125	-	-	27,125
Intergovernmental . . . . .	3,347	-	32,627	35,974
Accrued interest . . . . .	7,975	-	-	7,975
Prepayments . . . . .	12,872	-	-	12,872
Materials and supplies inventory . . . . .	-	-	10,623	10,623
Restricted assets:				
Cash with escrow agent . . . . .	-	-	1,954	1,954
Equity in pooled cash and cash equivalents . . . . .	28,476	-	-	28,476
Total assets . . . . .	<u>\$ 4,529,102</u>	<u>\$ 1,802,527</u>	<u>\$ 1,657,612</u>	<u>\$ 7,989,241</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 3,933	\$ -	\$ 3,005	\$ 6,938
Retainage payable . . . . .	-	-	1,954	1,954
Accrued wages and benefits . . . . .	750,902	-	99,557	850,459
Pension obligation payable . . . . .	204,811	-	25,620	230,431
Intergovernmental payable . . . . .	79,958	859	216,545	297,362
Deferred revenue . . . . .	132,677	34,508	2,426	169,611
Unearned revenue . . . . .	1,270,191	313,526	26,182	1,609,899
Total liabilities . . . . .	<u>2,442,472</u>	<u>348,893</u>	<u>375,289</u>	<u>3,166,654</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	12,247	-	8,383	20,630
Reserved for materials and supplies inventory . . . . .	-	-	10,623	10,623
Reserved for prepayments . . . . .	12,872	-	-	12,872
Reserved for debt service . . . . .	-	1,302,160	-	1,302,160
Reserved for property tax unavailable for appropriation . . . . .	546,809	151,474	10,618	708,901
Reserved for BWC refunds . . . . .	28,476	-	-	28,476
Unreserved:				
Designated for budget stabilization . . . . .	89,029	-	-	89,029
Undesignated, reported in:				
General fund . . . . .	1,397,197	-	-	1,397,197
Special revenue funds . . . . .	-	-	785,235	785,235
Capital projects funds . . . . .	-	-	467,464	467,464
Total fund balances . . . . .	<u>2,086,630</u>	<u>1,453,634</u>	<u>1,282,323</u>	<u>4,822,587</u>
Total liabilities and fund balances . . . . .	<u>\$ 4,529,102</u>	<u>\$ 1,802,527</u>	<u>\$ 1,657,612</u>	<u>\$ 7,989,241</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

<b>Total governmental fund balances</b>		\$	4,822,587
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			29,359,060
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	161,636	
Accrued interest		<u>7,975</u>	
Total			169,611
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(15,903)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(585,943)	
General obligation bonds payable		<u>(5,326,445)</u>	
Total			<u>(5,912,388)</u>
<b>Net assets of governmental activities</b>		<b>\$</b>	<b><u>28,422,967</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,467,359	\$ 668,449	\$ 48,095	\$ 3,183,903
Tuition. . . . .	580,767	-	-	580,767
Charges for services. . . . .	-	-	213,403	213,403
Earnings on investments. . . . .	153,883	-	30,541	184,424
Extracurricular. . . . .	-	-	164,401	164,401
Other local revenues. . . . .	71,834	-	49,720	121,554
Payment in lieu of taxes. . . . .	285,923	-	-	285,923
Intergovernmental - State . . . . .	7,395,067	92,445	101,439	7,588,951
Intergovernmental - Federal . . . . .	-	-	723,114	723,114
Total revenues . . . . .	<u>10,954,833</u>	<u>760,894</u>	<u>1,330,713</u>	<u>13,046,440</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,530,874	-	64,180	4,595,054
Special . . . . .	627,215	-	506,634	1,133,849
Vocational . . . . .	306,723	-	10,344	317,067
Other . . . . .	1,333,168	-	10,188	1,343,356
Support services:				
Pupil . . . . .	463,678	-	-	463,678
Instructional staff. . . . .	384,446	-	107,487	491,933
Board of education. . . . .	24,008	-	-	24,008
Administration . . . . .	797,652	-	61,655	859,307
Fiscal. . . . .	228,720	18,610	1,379	248,709
Operations and maintenance . . . . .	1,565,951	-	110,130	1,676,081
Pupil transportation . . . . .	542,001	-	-	542,001
Operation of non-instructional services:				
Food service operations . . . . .	-	-	427,973	427,973
Other non-instructional services . . . . .	1,522	-	-	1,522
Extracurricular activities . . . . .	172,490	-	97,811	270,301
Debt service:				
Principal retirement. . . . .	3,437	310,000	-	313,437
Interest and fiscal charges . . . . .	-	199,431	-	199,431
Total expenditures . . . . .	<u>10,981,885</u>	<u>528,041</u>	<u>1,397,781</u>	<u>12,907,707</u>
Excess of revenues over (under) expenditures.	<u>(27,052)</u>	<u>232,853</u>	<u>(67,068)</u>	<u>138,733</u>
<b>Other financing sources:</b>				
Proceeds from insurance settlement . . . . .	118,210	-	-	118,210
Total other financing sources. . . . .	<u>118,210</u>	<u>-</u>	<u>-</u>	<u>118,210</u>
<b>Extraordinary item:</b>				
Refund to Ohio School Facilities Commission . . . . .	-	-	(207,934)	(207,934)
Net change in fund balances . . . . .	91,158	232,853	(275,002)	49,009
<b>Fund balances at</b>				
<b>beginning of year . . . . .</b>	<u>1,995,472</u>	<u>1,220,781</u>	<u>1,557,325</u>	<u>4,773,578</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 2,086,630</u>	<u>\$ 1,453,634</u>	<u>\$ 1,282,323</u>	<u>\$ 4,822,587</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

<b>Net change in fund balances - total governmental funds</b>		\$ 49,009
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense booked in the current year.		(1,393,200)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	\$ 32,146	
Accrued interest	(8,033)	
Intergovernmental revenue	<u>(93,220)</u>	
Total		(69,107)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement net assets.		313,437
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The following items resulted in additional interest being reported in the statement of activities.		
Decrease in accrued interest payable	1,038	
Accreted interest on "capital appreciation" bonds	<u>(54,021)</u>	
Total		(52,983)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(71,666)</u>
<b>Change in net assets of governmental activities</b>		<u><u>\$ (1,224,510)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,058,408	\$ 2,092,688	\$ 2,066,489	\$ (26,199)
Tuition. . . . .	584,761	594,500	580,767	(13,733)
Earnings on investments. . . . .	221,314	225,000	162,396	(62,604)
Extracurricular. . . . .	731	743	-	(743)
Other local revenues . . . . .	22,916	23,298	44,814	21,516
Payment in lieu of taxes . . . . .	146,218	148,653	285,929	137,276
Intergovernmental - State . . . . .	7,008,776	7,125,500	7,391,720	266,220
Total revenue . . . . .	<u>10,043,124</u>	<u>10,210,382</u>	<u>10,532,115</u>	<u>321,733</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,499,862	4,500,173	4,565,154	(64,981)
Special. . . . .	641,694	641,738	636,120	5,618
Vocational. . . . .	315,874	315,896	309,538	6,358
Other. . . . .	1,308,510	1,308,600	1,331,807	(23,207)
Support services:				
Pupil. . . . .	514,750	514,785	459,987	54,798
Instructional staff . . . . .	362,245	362,270	373,401	(11,131)
Board of education . . . . .	24,367	24,369	23,905	464
Administration. . . . .	713,867	713,916	796,250	(82,334)
Fiscal . . . . .	213,881	213,896	222,853	(8,957)
Operations and maintenance. . . . .	1,514,487	1,514,591	1,579,399	(64,808)
Pupil transportation . . . . .	552,377	552,415	537,305	15,110
Operation of non-instructional services:				
Other non-instructional services . . . . .	7,000	7,000	1,522	5,478
Extracurricular activities. . . . .	220,435	220,450	174,318	46,132
Debt service:				
Principal retirement . . . . .	5,000	5,000	3,437	1,563
Total expenditures . . . . .	<u>10,894,349</u>	<u>10,895,099</u>	<u>11,014,996</u>	<u>(119,897)</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(851,225)</u>	<u>(684,717)</u>	<u>(482,881)</u>	<u>201,836</u>
<b>Other financing sources (uses):</b>				
Proceeds from insurance settlement . . . . .	-	-	118,210	118,210
Refund of prior year expenditure. . . . .	-	-	234	234
Refund of prior year receipts . . . . .	-	-	(111)	(111)
Sale of assets . . . . .	1,000	1,000	-	(1,000)
Total other financing sources (uses) . . . . .	<u>1,000</u>	<u>1,000</u>	<u>118,333</u>	<u>117,333</u>
Net change in fund balance . . . . .	(850,225)	(683,717)	(364,548)	319,169
<b>Fund balance at beginning of year. . . . .</b>	<b>2,806,516</b>	<b>2,806,516</b>	<b>2,806,516</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>17,180</b>	<b>17,180</b>	<b>17,180</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 1,973,471</u></b>	<b><u>\$ 2,139,979</u></b>	<b><u>\$ 2,459,148</u></b>	<b><u>\$ 319,169</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 22,938	\$ 59,883
Total assets . . . . .	22,938	\$ 59,883
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 1,709
Due to students . . . . .	-	58,174
Total liabilities . . . . .	-	\$ 59,883
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	22,938	
Total net assets . . . . .	\$ 22,938	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 1,031
Gifts and contributions. . . . .	3,750
	4,781
Total additions. . . . .	4,781
<b>Deductions:</b>	
Scholarships awarded . . . . .	8,749
	(3,968)
Change in net assets . . . . .	(3,968)
<b>Net assets at beginning of year. . . . .</b>	<b>26,906</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 22,938</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

The 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 ranks as the 418<sup>th</sup> largest by enrollment among the 896 public school districts and community schools 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 51 non-certified, 94 certified employees and 6 administrators to provide services to approximately 1,256 students in grades K through 12 and various community groups.

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

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has one component unit.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

*DISCRETELY PRESENTED COMPONENT UNIT*

Cardington-Lincoln Local Digital Academy

The Cardington Digital Academy (the "Academy") is a non-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a conversion school in Cardington-Lincoln Local School District addressing the needs of students in kindergarten through the twelfth grade. The Academy is designed for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment. Because the focus is on distance learning, the ability of students to learn independently in their own homes using an online educational program is an essential element of the Academy's program. The Academy operates under the direction of a five-member Board of Directors, of which the District appoints three of the directors. The District is able to impose its will upon the operations for the Academy; therefore, the financial activity of the Academy is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy, David Henshaw at TRECA, at 100 Executive Drive, Marion, Ohio 43302.

*JOINTLY GOVERNED 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 the 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 is available from Mike Carder, Director, at 100 Executive Drive, Marion, Ohio 43302. During fiscal year 2008 the District paid \$105,330 to TRECA for its services.

Tri-Rivers Career Center

The Tri-Rivers Career Center (the "Center") is a distinct political subdivision of the State of Ohio. The Center operates under the direction of a Board consisting of one representative from each of the participating school district's Board of Education, and one representative from the Delaware Union Educational Service Center. The Center Board of Education possesses its own budgeting and taxing authority. Financial information is available from Terril Cimino, Treasurer, at 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 the Treasurer, P.O. Box 63, Cardington, Ohio 43315.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

*RELATED ORGANIZATION*

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 purpose, are discretionary decisions made solely by the Board of Trustees. Financial information is available from the Cardington Public Library, Clerk/Treasurer, at 209 South Marion Street, Cardington, Ohio 44315.

*INSURANCE PURCHASING POOLS*

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 (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

Metropolitan Educational Council ("MEC")

MEC was established under Chapter 167 of the Ohio Revised Code as a regional council of governments. Under Ohio Revised Code Section 2744.081, MEC established the MEC Liability, Fleet and Property Insurance Program (the "Program"), an insurance purchasing pool. The pool allows member districts to pool resources to purchase group insurance products at a lower rate than if the individual districts acted independently. The Program provides insurance protection, risk management programs and other administrative services. The Program is governed by a seven member Board of Trustees consisting of superintendents, treasurers and business managers. Specialty Claims Services, Inc. is responsible for processing claims. March, Inc. services as the Plan's administrator, sales representative, and marketing representative which establishes agreements between the Program and its members. Financial information can be obtained from Ron Miller, who serves as Executive Director, at MEC, 2100 Citygate Drive, Columbus, Ohio 43219-3566.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following are the District's major governmental funds:

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

*Bond Retirement Fund* - This fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment.

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

*FIDUCIARY FUNDS*

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

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

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government and its component unit, except for fiduciary funds.

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

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

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

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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



**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2008 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the 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 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 budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2008.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund budgetary statement comparison at the fund and function level. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All 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 prior to June 30, 2008. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2008, investments were limited to repurchase agreements, which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$153,883, which includes \$62,638 assigned from other funds.

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

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

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 15 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets. During fiscal year 2008, the District did not have any interfund transactions.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, 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 sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

**L. Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service, BWC refunds and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. A fund balance designation is reported for amounts set-aside by the District for budget stabilization.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes Bureau of Worker's Compensation (BWC) refunds that are restricted by State statute for budget stabilization.

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

**N. Prepayments**

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

**O. Estimates**

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

**P. Restricted Assets**

Restricted assets in the general fund represent BWC refunds required to be used for budget stabilization and retainage held with fiscal agents. The BWC refunds are restricted by State statute. In addition, the District is required by State statute to establish reserves for textbooks/instructional materials and capital acquisition.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2008, the District incurred a transaction that would be classified as an extraordinary item. The extraordinary item involves the estimated refund due to the Ohio School Facilities Commission relating to the completed construction of the District's school facilities project. The repayment to the Ohio School Facilities Commission is reflected as a extraordinary item on the statement of activities.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 11) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Title VI-B	\$ 18,021
Title I	6,579
Title VI	87
Class reduction	1,453
Challenge grant	10

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances result from adjustments for accrued liabilities.

**C. Noncompliance**

The District had appropriations exceeding resources at 12/31/07 and 6/30/08 in noncompliance with Ohio Revised Code Sections 5705.39 and 5705.36.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 items (1) and (2) above 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 Asset Reserve investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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.

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.

**A. Cash with Escrow Agent**

At fiscal year-end, \$1,954 was on deposit in retainage escrow accounts related to the District's construction projects. These retainage accounts are included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the financial statements as "equity in pooled cash and cash equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$1,281,338, exclusive of the \$4,147,454 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,224,620 of the District's bank balance of \$1,424,620 was exposed to custodial risk as discussed below, while \$200,000 was covered by the Federal Deposit Insurance Corporation.



**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	Investment Maturities 6 months or less
Repurchase Agreement	<u>\$ 4,147,454</u>	<u>\$ 4,147,454</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District's investments in federal agency securities that underlie the District's repurchase agreement were rated AAA and Aaa by Standard and Poor's and Moody's Investor Services, respectively.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$4,147,454 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase Agreement	<u>\$ 4,147,454</u>	<u>100.00</u>

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,281,338
Investments	4,147,454
Cash with escrow agent	1,954
Total	<u>\$ 5,430,746</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,347,925
Private-purpose trust funds	22,938
Agency funds	59,883
Total	<u>\$ 5,430,746</u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30, if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 5 - PROPERTY TAXES - (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Morrow and Marion Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$546,809 in the general fund, \$151,474 in the bond retirement fund and \$10,618 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$142,032 in the general fund, and \$39,047 in the bond retirement fund and \$2,770 in the classroom facilities maintenance fund (a nonmajor governmental fund).

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 99,497,110	86.72	\$ 103,438,990	91.35
Public utility personal	5,054,340	4.40	5,007,645	4.42
Tangible personal property	<u>10,183,448</u>	<u>8.88</u>	<u>4,786,720</u>	<u>4.23</u>
Total	<u>\$ 114,734,898</u>	<u>100.00</u>	<u>\$ 113,233,355</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$33.19		\$33.19	

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities:**

Taxes	\$ 2,546,747
Accounts	27,125
Accrued interest	7,975
Intergovernmental	<u>35,974</u>
Total	<u>\$ 2,617,821</u>

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

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 06/30/07	Additions	Deductions	Balance 06/30/08
<b>Governmental Activities</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 279,100	\$ -	\$ -	\$ 279,100
Total capital assets, not being depreciated	<u>279,100</u>	<u>-</u>	<u>-</u>	<u>279,100</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,332,106	-	-	2,332,106
Buildings and improvements	35,244,109	-	-	35,244,109
Furniture and equipment	699,962	-	-	699,962
Vehicles	<u>831,913</u>	<u>-</u>	<u>-</u>	<u>831,913</u>
Total capital assets, being depreciated	<u>39,108,090</u>	<u>-</u>	<u>-</u>	<u>39,108,090</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(740,175)	(112,140)	-	(852,315)
Buildings and improvements	(7,007,198)	(1,167,166)	-	(8,174,364)
Furniture and equipment	(240,461)	(51,755)	-	(292,216)
Vehicles	<u>(647,096)</u>	<u>(62,139)</u>	<u>-</u>	<u>(709,235)</u>
Total accumulated depreciation	<u>(8,634,930)</u>	<u>(1,393,200)</u>	<u>-</u>	<u>(10,028,130)</u>
Governmental activities capital assets, net	<u>\$ 30,752,260</u>	<u>\$ (1,393,200)</u>	<u>\$ -</u>	<u>\$ 29,359,060</u>

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 7 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 1,021,486
Special	45,267
Vocational	31,963

Support Services:

Instructional staff	46,084
Administration	33,416
Fiscal	1,460
Operations and maintenance	12,959
Pupil transportation	62,139

Operation of non-instructional services:

Food service operations	82,594
Extracurricular activities	55,832
	<u>\$ 1,393,200</u>

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - LONG-TERM OBLIGATIONS**

**A. Summary of Long-Term Obligations**

During fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance 06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/08</u>	<u>Due in One Year</u>
<b>Governmental Activities:</b>						
<u>G.O. Bond - Series 2002</u>						
Current interest	2.40-4.15%	\$ 915,000	\$ -	\$ (170,000)	\$ 745,000	\$ 175,000
Capital appreciation bonds		259,996	-	-	259,996	-
Accreted interest		131,725	30,307	-	162,032	-
<u>G.O. Bond - Series 2003</u>						
Current interest	1.25-4.75%	3,055,000	-	(100,000)	2,955,000	105,000
Capital appreciation bonds		74,998	-	-	74,998	-
Accreted interest		47,730	16,080	-	63,810	-
<u>G.O. Bond - Auditorium</u>						
Current interest	1.50-4.13%	1,040,000	-	(40,000)	1,000,000	40,000
Capital appreciation bonds		40,000	-	-	40,000	-
Accreted interest		17,975	7,634	-	25,609	-
Total general obligation bonds payable		<u>\$ 5,582,424</u>	<u>\$ 54,021</u>	<u>\$ (310,000)</u>	<u>\$ 5,326,445</u>	<u>\$ 320,000</u>
<u>Other Long-Term Obligations:</u>						
Asbestos loan	N/A	\$ 3,437	\$ -	\$ (3,437)	\$ -	\$ -
Compensated absences		592,405	104,292	(110,754)	585,943	30,305
Total other long-term obligations		<u>\$ 595,842</u>	<u>\$ 104,292</u>	<u>\$ (114,191)</u>	<u>\$ 585,943</u>	<u>\$ 30,305</u>
Total governmental activities		<u>\$ 6,178,266</u>	<u>\$ 158,313</u>	<u>\$ (424,191)</u>	<u>\$ 5,912,388</u>	<u>\$ 350,305</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund and the food service fund (a nonmajor governmental fund).

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

**B. General Obligation Bonds**

These bonds 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 are accounted for on the statement of net assets. Payments of principal and interest relating to these bonds are recorded as expenditures in the bond retirement fund.

Series 2002 G.O. Bonds

On September 1, 2001 the District issued \$1,670,000 in general obligation bonds to provide funds for the advance refunding of the 1992 general obligation bonds which were originally issued for construction and improvement to various facilities. The proceeds of the bonds were used to advance refund the 1992 general obligation bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. On December 1, 2001 the 1992 general obligation bonds were called and paid in full.

This issue is comprised of both current interest bonds, par value \$1,670,000, and capital appreciation bonds, par value \$259,996. The interest rates on the current interest bonds range from 2.40% to 4.15%. The capital appreciation bonds mature on December 1, 2012 (effective interest 7.747%) and December 1, 2013 (effective interest 7.736%) and December 1, 2014 (effective interest rate 7.727%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$635,000. Total accreted interest of \$162,032 has been included in the statement of net assets at June 30, 2008.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final stated maturity of the current interest bonds is December 1, 2014.

Series 2003 G.O. Bonds

On January 9, 2003, the District issued \$3,500,000 in general obligation bonds (Series 2003, School Facilities Improvement Bonds), which represent the District's share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC). OSFC awarded the District a \$21,195,239 grant for the project, and made quarterly disbursements to the District until the project was substantially completed. The source of payment is derived from a current 2.93 mill bonded debt tax levy.

This issue is comprised of term current interest bonds, par value \$3,425,000, and capital appreciation bonds, par value \$74,998. The capital appreciation bonds mature each December 1, 2013 and 2014, (effective interest 13.12%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$290,000. Total accreted interest of \$63,810 has been included in the statement of net assets at June 30, 2008.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final stated maturity of the current interest bonds is December 1, 2025.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

Auditorium Bonds

On June 17, 2003, the District issued \$1,165,000 in general obligation bonds (Series 2003, School Facilities Improvement Bonds), which represent the locally funded initiative to build an auditorium. The source of payment is derived from a current .87 mill bonded debt tax levy.

This issue is comprised of both current interest bonds, par value \$1,125,000 and capital appreciation bonds, par value \$40,000. The interest rate on the current interest bonds is 11.768%. The capital appreciation bonds mature each December 1, 2014, (effective interest 13.26%), December 1, 2015 (effective interest 13.15%), and December 1, 2016 (effective interest 13.07%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$165,000. Total accreted interest of \$25,609 has been included in the statement of net assets at June 30, 2008.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final stated maturity of the current interest bonds is December 1, 2026.

The following is a summary of the future annual requirements to maturity for general obligation bonds:

Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 320,000	\$ 189,781	\$ 509,781	\$ -	\$ -	\$ -
2010	335,000	178,827	513,827	-	-	-
2011	360,000	166,470	526,470	-	-	-
2012	370,000	152,984	522,984	-	-	-
2013	185,000	260,414	445,414	92,421	117,579	210,000
2014 - 2018	595,000	1,255,369	1,850,369	282,573	597,427	880,000
2019 - 2023	1,390,000	425,533	1,815,533	-	-	-
2024 - 2027	1,145,000	87,987	1,232,987	-	-	-
Total	<u>\$ 4,700,000</u>	<u>\$ 2,717,365</u>	<u>\$ 7,417,365</u>	<u>\$ 374,994</u>	<u>\$ 715,006</u>	<u>\$ 1,090,000</u>

**C. Asbestos Loan**

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. Payments are recorded as expenditures of the general fund, from current operating revenue. The following schedule describes the loan activity during fiscal year 2008:

	Interest Rate	Issue Date	Maturity Date	Original Amount	Balance 06/30/07	Retired in 2008	Balance 06/30/08
<u>Purpose</u>							
Asbestos abatement	none	4/20/91	05/30/08	<u>\$ 85,937</u>	<u>\$ 3,437</u>	<u>\$ (3,437)</u>	<u>\$ -</u>



**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

**D. 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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$5,995,091 (including available funds of \$1,453,634) and an unvoted debt margin of \$106,849.

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District participated in the MEC Liability, Fleet and Property Insurance Program (see Note 2.A.). The program provides coverage for the group through excess liability for \$250,000,000. The following is the District's insurance coverage obtained through the group purchasing program:

Total policy coverage - includes the following:	
Property limit (\$1,000 deductible)	\$ 1,000,000
Boiler and Machinery (\$1,000 deductible)	43,318,303
Auto Liability & Uninsured/underinsured motorist	1,000,000
Medical payments	5,000
Public Employee Dishonesty (\$2,500 deductible)	1,000,000
General school district liability (\$5,000 deductible)	
Per occurrence	1,000,000
Total per year	3,000,000
Excess liability	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year except in the area of Boiler and Machinery where the District switched insurance carriers and purchased less coverage than in the prior year based upon an assessment of actual needs.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 9 - RISK MANAGEMENT - (Continued)**

**B. OSBA Workers' Compensation Group Rating Plan**

For fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan ("GRP"), an insurance purchasing pool (Note 2.A.). 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 to 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.

**C. Group Health and Dental Insurance**

The District offers group life insurance and accidental death and dismemberment insurance to all employees through Unum Life Insurance Company. The District offers employee group medical/surgical benefits through United Healthcare. 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 Metropolitan Life Insurance. Vision insurance is offered by the District through Vision Service Plan. 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 11. As such, no funding provisions are required by the District.

**NOTE 10 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 10 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$120,909, \$124,582 and \$117,984, respectively; 47.67 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 10 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$637,276, \$612,202 and \$575,492, respectively; 84.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$5,553 made by the District and \$21,063 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$79,620, \$65,268 and \$62,996, respectively; 47.67 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007 and 2006 were \$8,712, \$8,472 and \$9,391, respectively; 47.67 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$49,021, \$47,092 and \$44,269, respectively; 84.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 12 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures, and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources 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, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 12 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General</u>
Budget basis	\$(364,548)
Net adjustment for revenue accruals	422,718
Net adjustment for expenditure accruals	16,162
Net adjustment for other sources/uses	(123)
Adjustment for encumbrances	16,949
GAAP basis	\$ 91,158

**NOTE 13 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 14 - STATUTORY RESERVES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statute, into reserves for the purchase of textbooks and other instructional materials and for the acquisition and construction of capital improvements. These reserves are calculated and presented on a cash basis.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 14 - STATUTORY RESERVES - (Continued)**

During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	BWC <u>Refunds</u>
Set-aside balance as of June 30, 2007	\$ (257,762)	\$ (22,936,103)	\$ 28,476
Current year set-aside requirement	187,314	187,314	-
Qualifying disbursements	<u>(130,393)</u>	<u>(50,973)</u>	<u>-</u>
Total as of June 30, 2008	<u>\$ (200,841)</u>	<u>\$ (22,799,762)</u>	<u>\$ 28,476</u>
Balance carried forward to FY 2009	<u>\$ (200,841)</u>	<u>\$ (22,799,762)</u>	<u>\$ 28,476</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. Monies set-aside by the School Board for budget stabilization are reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2008, was \$89,029.

The District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks/instructional materials and capital acquisition reserve. These extra amounts may be used to reduce the set-aside requirement for future years.

A schedule of the restricted assets at June 30, 2008 follows:

Amounts restricted for BWC refunds	<u>\$ 28,476</u>
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**NOTE 15 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**

**A. Description of School**

The Cardington-Lincoln Local Digital Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect its tax exempt status. The Academy's objective is to deliver a comprehensive educational program of high quality, tied to State and national standards, which can be delivered to students in the kindergarten through grade 12 populations entirely through distance learning technologies. It is to be operated under a contract with the Cardington-Lincoln Local School District to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and other, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. The Academy, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 15 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY - (Continued)**

The Academy was certified by the State of Ohio Secretary of State as a non-profit organization on October 1, 2002. The Academy was approved for operation under a contract between the Cardington-Lincoln Local School District (the "Sponsor") for five years commencing July 1, 2004. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. The Academy began accepting students on November 1, 2004.

The Academy operates under the direction of a five-member Board of Directors which consists of the Cardington-Lincoln Local School District superintendent, two building principals and two other persons who are neither officers nor employees of the Cardington-Lincoln Local School District, one who shall be a public educator or other public official representing a governmental entity that desires to further the establishment and operation of the School District and one who shall be a representative appointed by Tri-Rivers Educational Computer Association ("TRECA"), except that the TRECA representative shall, within one year following the incorporation of the conversion of the school, be replaced by a person who represents the interests of parents and students served by the conversion school. Due to the amount of influence the Cardington-Lincoln Local School District has over the Academy's Board, the Academy is a component unit of the Cardington-Lincoln Local School District. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Treasurer of TRECA is the Chief Financial Officer, who also serves as a sixth, nonvoting, member of the Board of Directors.

The Board of Directors has entered into a one-year contract with Tri-Rivers Educational Computer Association ("TRECA") to provide planning, instructional, administrative, and technical services required for the operation of the Academy.

**B. Summary of Significant Accounting Policies**

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

***Basis of Presentation*** - Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been 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.



**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 15 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY - (Continued)**

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

**Measurement Focus and Basis of Accounting** - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**Budgetary Process** - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

**Cash** - Cash received by the Academy is maintained in a demand deposit account.

**Capital Assets and Depreciation** - All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$500. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated over three years.

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 15 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY - (Continued)**

Intergovernmental Revenue - The Academy currently participates in the management information systems grant, the federal charter school grant program through the Ohio Department of Education, the idea part B Grant, the title I grant, the drug free school grant, the improving teacher quality grant, and the title V grant. Revenues from these programs are recognized as operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

*Accrued Liabilities* - The Academy has recognized certain expenses due, but unpaid as of June 30, 2008. These expenses are reported as accrued liabilities in the accompanying financial statements.

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

**C. Cash and Cash Equivalents**

At June 30, 2008, the carrying amount of the Academy's deposits was \$135,322. Based on the criteria discussed in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$95,902 of the Academy's bank balance of \$195,902 was exposed to custodial risk as described below, while \$100,000 was covered by the Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 15 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY - (Continued)**

**D. Capital Assets**

	<u>Balance at</u>	<u>6/30/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u>
					<u>6/30/2008</u>
Equipment	\$	104,791	\$ 1,759	\$ -	\$ 106,550
Less: accumulated depreciation		<u>(54,249)</u>	<u>(32,936)</u>	<u>-</u>	<u>(87,185)</u>
Net capital assets		<u>\$ 50,542</u>	<u>\$ (31,177)</u>	<u>\$ -</u>	<u>\$ 19,365</u>

**E. Service Agreements**

***Tri-Rivers Educational Computer Association*** - The Academy entered into a one-year agreement on September 1, 2007, with Tri-Rivers Educational Computer Association (“TRECA”) for planning, instructional, administrative and technical services required for the operation of the Academy for fiscal year 2008. Under the contract, TRECA is required to provide the following services:

1. Instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy’s educational plan, assessment and accountability plan and the sponsorship contract.
2. Responsibility for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes with respect to all personnel providing services to the Academy on behalf of TRECA. Also, all personnel shall possess any certification or licensure which may be required by law.
3. Provide technical services that include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel. The Academy is responsible for recovering and returning any and all equipment to TRECA. In cases where equipment is unrecoverable, the Academy shall reimburse TRECA up to \$900 per student except if the student has been enrolled in the Academy for at least 90 days, the Academy shall reimburse TRECA in the amount of \$700, and, if the student has been enrolled in the Academy for at least 180 days, the Academy shall reimburse TRECA in the amount of \$500.
4. Curricular services limited to standardized curriculum developed by TRECA.

For these services, the Academy is required to pay the following fees to TRECA:

1. Annual Fee - The Academy shall pay \$25,000 each year, due to TRECA no later than December 1, or within 15 days of receiving Ohio Charter Schools Federal Sub-grant Program Funding, whichever is sooner. This fee was waived for fiscal year 2008.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 15 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY - (Continued)**

2. Enrollment - \$3,750 per full time student enrolled per year. In case of a student enrolled with an Individualized education program (IEP), the Academy will determine if special education will be provided by TRECA or otherwise. If substantially all of the special education and services are provided to such a student by other than TRECA, the Academy does not have to pay TRECA the enrollment fee per the agreement, instead, actual costs for that student are provided by TRECA. If the special education for a student is provided by TRECA, then any additional amount received from Department of Education for special education and related services is due to TRECA for that student.

*Cardington-Lincoln Local School District* - The Community School Sponsorship Contract and the annual Purchased Services Contract between the Academy and Cardington-Lincoln Local School District outlined the specific payments to be made by the Academy to Cardington-Lincoln Local School District during fiscal year 2008. In addition, the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the Academy by Cardington-Lincoln Local School District. The following payments were made in fiscal year 2008 from the Academy to Cardington-Lincoln Local School District:

Administrative fee	\$ 27,500
Professional development	949
Special education	<u>10,000</u>
Total amount of payments made by the Academy to Cardington-Lincoln Local School District for fiscal year 2008	<u>\$ 38,449</u>

**F. Risk Management**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the Academy was named as an additional insured party on Cardington-Lincoln Local School District's, the Sponsor, insurance policy. The Sponsor participates in an insurance purchasing pool through the Metropolitan Educational Council Group (the "Plan"), established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a seven member board consisting of superintendents, treasurers and business managers. Specialty Claims Services, Inc. is responsible for processing claims. March, Inc. serves as the Plan's administrator, sales representative, and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from the Metropolitan Educational Council Group Program, 2100 Citygate Drive, Columbus, Ohio 43219-3566.

Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior year.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 15 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY - (Continued)**

**G. Contingencies**

**Grants** - The Academy received financial assistance from State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.

**Litigation** - A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al.*, Case #: 3:04CV197 was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is currently pending and the effect of this suit, if any, on the Academy cannot presently be determined.

The Academy is not involved in any other litigation that, in the opinion of management, would have material effect on the financial statements.

**State Foundation Funding** - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Academy was reviewed two times during the second year of operations and one error was found in enrollment, withdrawals and attendance. The Academy does not anticipate significant adjustments to State funding for fiscal year 2008. However, as of the date of this report the amount of the adjustment could not be determined. Therefore no liability is reported as of June 30, 2008.

**H. Purchased Services**

For fiscal year ended June 30, 2008, purchased services expenses were as follows:

Professional and technical services	\$ 257,721
Transportation	960
Communications/utilities	<u>1,871</u>
Total	<u><u>\$ 260,552</u></u>

## **SUPPLEMENTARY DATA**

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
(C) Food Donation	10.550	2008	\$ 26,644	\$ 26,644
<b>Total Food Donation</b>			<u>26,644</u>	<u>26,644</u>
<b>Nutrition Cluster:</b>				
(D)(E) School Breakfast Program	10.553	2008	37,510	37,510
<b>Total School Breakfast Program</b>			<u>37,510</u>	<u>37,510</u>
(D)(E) National School Lunch Program	10.555	2008	156,649	156,649
<b>Total National School Lunch Program</b>			<u>156,649</u>	<u>156,649</u>
<b>Total Nutrition Cluster</b>			<u>194,159</u>	<u>194,159</u>
<b>Total U.S. Department of Agriculture</b>			<u>220,803</u>	<u>220,803</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
Title I Grants to Local Educational Agencies	84.010	2007	27,555	20,322
Title I Grants to Local Educational Agencies	84.010	2008	145,635	125,664
<b>Total Title I Grants to Local Educational Agencies</b>			<u>173,190</u>	<u>145,986</u>
(F) Special Education_Grants to States	84.027	2007	50,750	100,221
Special Education_Grants to States	84.027	2008	347,239	267,719
<b>Total Special Education_Grants to States</b>			<u>397,989</u>	<u>367,940</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2008	4,933	4,933
<b>Total Safe and Drug-Free Schools and Communities_State Grants</b>			<u>4,933</u>	<u>4,933</u>
State Grants for Innovative Programs	84.298	2007	-	350
State Grants for Innovative Programs	84.298	2008	4,339	4,339
<b>Total State Grants for Innovative Programs</b>			<u>4,339</u>	<u>4,689</u>
Education Technology State Grants	84.318	2007	-	557
Education Technology State Grants	84.318	2008	3,024	3,024
<b>Total Education Technology State Grants</b>			<u>3,024</u>	<u>3,581</u>
Improving Teacher Quality State Grants	84.367	2007	10,348	13,945
Improving Teacher Quality State Grants	84.367	2008	56,345	48,458
<b>Total Improving Teacher Quality State Grants</b>			<u>66,693</u>	<u>62,403</u>
<b>Total U.S. Department of Education</b>			<u>650,168</u>	<u>589,532</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 870,971</u>	<u>\$ 810,335</u>

- (A) OAKS did not assign pass through numbers for fiscal year 2008.  
 (B) This schedule was prepared on the cash basis of accounting.  
 (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.  
 (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.  
 (E) Included as part of "Nutrition Grant Cluster" in determining major programs.  
 (F) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2008, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Special Education_Grants to States	84.027	2007	\$ 63,921	
Special Education_Grants to States	84.027	2008		\$ 63,921
Totals			<u>\$ 63,921</u>	<u>\$ 63,921</u>

Note 1: The Cardington-Lincoln Local School District has excluded federal financial assistance reported for its component unit, the Cardington-Lincoln Digital Academy.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Board of Education  
Cardington-Lincoln Local School District  
121 Nichols Street  
Cardington, OH 43315

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cardington-Lincoln Local School District, Morrow County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Cardington-Lincoln Local School District's basic financial statements and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cardington-Lincoln Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cardington-Lincoln Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Cardington-Lincoln Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Cardington-Lincoln Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Cardington-Lincoln Local School District's financial statements that is more than inconsequential will not be prevented or detected by Cardington-Lincoln Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Cardington-Lincoln Local School District's internal control.



Board of Education  
Cardington-Lincoln Local School District

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

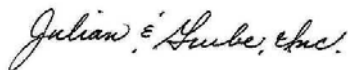
Compliance and Other Matters

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 of laws, regulations, contracts, and grant agreements, 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing* and are described in the accompanying schedule of findings and responses as items 2008-CLLSD-001 and 2008-CLLSD-002.

We noted certain matters that we reported to the management of Cardington-Lincoln Local School District in a separate letter dated December 5, 2008.

Cardington-Lincoln Local School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Cardington-Lincoln Local School District's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management and Board of Education of Cardington-Lincoln Local School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.  
December 5, 2008



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Its  
Major Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

Board of Education  
Cardington-Lincoln Local School District  
121 Nichols Street  
Cardington, OH 43315

Compliance

We have audited the compliance of Cardington-Lincoln Local School 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 its major federal program for the fiscal year ended June 30, 2008. The Cardington-Lincoln Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Cardington-Lincoln Local School District's management. Our responsibility is to express an opinion on Cardington-Lincoln Local School District's compliance based on our audit.

Cardington-Lincoln Local School District's basic financial statements include the operations of Cardington-Lincoln Local Digital Academy, a component unit of Cardington-Lincoln Local School District. Cardington-Lincoln Local Digital Academy received \$31,347 and expended \$28,712 in federal awards during fiscal year 2008 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for Cardington-Lincoln Local School District for the fiscal year ended June 30, 2008. Our audit of federal awards, described below, did not include the operations of Cardington-Lincoln Local Digital Academy. This component unit expended less than \$500,000 for the fiscal year ended June 30, 2008 and thus was not required to have an audit of their Federal Awards in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit 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 Cardington-Lincoln Local School 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 Cardington-Lincoln Local School District's compliance with those requirements.

In our opinion, Cardington-Lincoln Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2008.

Board of Education  
Cardington-Lincoln Local School District

Internal Control Over Compliance

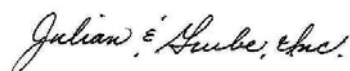
The management of Cardington-Lincoln Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Cardington-Lincoln Local School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cardington-Lincoln Local School District's internal control over compliance.

A control deficiency in Cardington-Lincoln Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Cardington-Lincoln Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Cardington-Lincoln Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Cardington-Lincoln Local School District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management and Board of Education of Cardington-Lincoln Local School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.  
December 5, 2008

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

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

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2008-CLLSD-001

Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund should not exceed total estimated resources.

The District had appropriations exceeding the total estimated resources at December 31, 2007 and for the fiscal year ended June 30, 2008 in the following funds:

December 31, 2007

<u>Nonmajor Funds</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
District Managed Student Activity Fund	\$ 124,682	\$ 149,090	\$ 24,408
Miscellaneous State Grants	66,152	68,340	2,188
Special Education	294,916	340,019	45,103
Improving Teacher Quality	92,339	95,456	3,117
Food Service	363,136	392,300	29,164

June 30, 2008

<u>Nonmajor Funds</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Trust/Lounge	\$ 7,181	\$ 10,950	\$ 3,769
Other Grant Funds	2,210	2,240	30
District Managed Student Activity Fund	141,477	149,590	8,113
Management Information Services	6,000	10,000	4,000
Vocational Educational Enhancement	4,246	10,525	6,279
Poverty Based Assessment	8,841	15,386	6,545
Miscellaneous State Grants	37,186	74,857	37,671
Special Education	67,561	476,411	408,850
Title I	36,104	210,653	174,549
Title V	1,934	6,091	4,157
Drug-free School Grant	493	4,934	4,441
Improving Teacher Quality	31,211	109,741	78,530
Miscellaneous Federal Grants	2,071	4,926	2,855

With appropriations exceeding estimated resources, the District may spend more funds than in the Treasury or in the process of collection and may cause fund deficits.

We recommend that the District comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The District is attempting to monitor its budget more closely and to submit additional amendments for estimated resources or reduce its appropriations as necessary.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2008-CLLSD-002

Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

The District had appropriations exceeding estimated resources throughout the year and at year end. Thus, the District did not request enough amended certificates throughout the year or at year end upon notice of increased or decreased resources in order to equal or exceed appropriations.

The District is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the District review its available resources versus its appropriations throughout the year and file amended certificates when necessary. This will facilitate the District's appropriation process.

Client Response: The District is attempting to monitor its budget more closely and to submit additional amendments for estimated resources more frequently throughout the year.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None



**Mary Taylor, CPA**  
Auditor of State

**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  
DECEMBER 24, 2008**