

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A COMPONENT UNIT OF CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT)**  
**MORROW COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
*FOR THE FISCAL YEAR ENDED*  
*JUNE 30, 2008*

**DAVID HENSHAW, TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Cardington Lincoln Local Digital Academy  
2222 Marion-Mount Gilead Road  
Marion, Ohio 43302

We have reviewed the *Independent Auditor's Report* of the Cardington Lincoln Local Digital Academy, 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 Digital Academy is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 8, 2008

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**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of 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*

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

### Independent Auditor's Report

Board of Directors  
Cardington-Lincoln Local Digital Academy  
100 Executive Drive  
Marion, Ohio 43302

We have audited the accompanying financial statements of the Cardington-Lincoln Local Digital Academy, Morrow County, Ohio, (a component unit of Cardington-Lincoln Local School District), as of and for the fiscal year ended June 30, 2008, which collectively comprise the Cardington-Lincoln Local Digital Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cardington-Lincoln Local Digital Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cardington-Lincoln Local Digital Academy, as of June 30, 2008, and the respective changes in financial position and its cash flows 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 October 15, 2008, on our consideration of the Cardington-Lincoln Local Digital Academy'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.

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 required supplementary information. However, we did not audit the information and express no opinion on it.

Julian & Grube, Inc.  
October 15, 2008

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of 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 Digital Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets were \$122,984 at June 30, 2008.
- The Academy had operating revenues of \$252,556 and operating expenses of \$355,149 for fiscal year 2008. The Academy also received \$590 in interest revenue and \$31,704 in federal and State grants during fiscal year 2008. Total change in net assets for the fiscal year was a decrease of \$70,299.

**Using these 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 Academy's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about how the Academy finances and meets the cash flow needs of its operations.

**Reporting the Academy Financial Activities**

***Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2008?" The statement of net assets and the statement of revenues, expenses and changes in net assets 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 will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

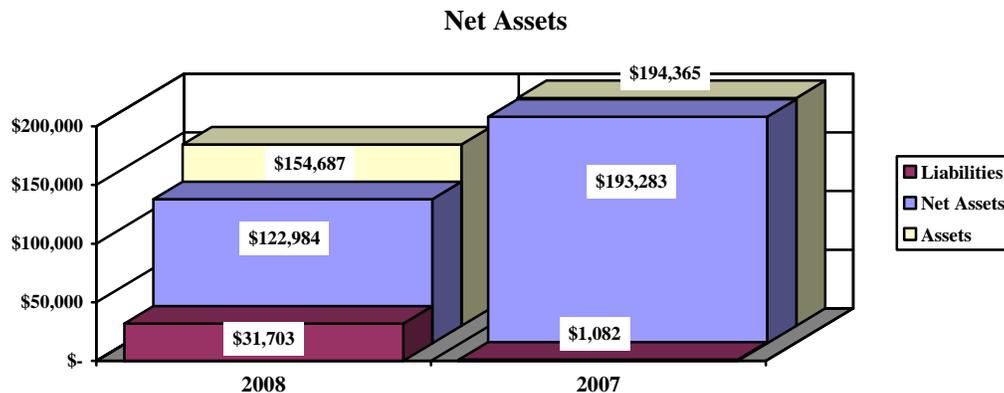
**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of Cardington-Lincoln Local School District)**  
**MORROW COUNTY, OHIO**

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

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

<b>Net Assets</b>		
	2008	2007
<b><u>Assets</u></b>		
Current assets	\$ 135,322	\$ 143,823
Capital assets, net	19,365	50,542
Total assets	154,687	194,365
<b><u>Liabilities</u></b>		
Current liabilities	31,703	1,082
Total liabilities	31,703	1,082
<b><u>Net Assets</u></b>		
Invested in capital assets	19,365	50,542
Restricted	661	670
Unrestricted	102,958	142,071
Total net assets	\$ 122,984	\$ 193,283

The chart below illustrates the Academy's assets, liabilities and net assets at fiscal year-end for 2008 and 2007.



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Academy's assets exceeded liabilities by \$122,984.

At year-end, capital assets represented 12.52% of total assets. Capital assets consisted of computers and printers. There is no debt related to the capital assets. Capital assets are used to provide services to the students and are not available for future spending.

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
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**MORROW COUNTY, OHIO**

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

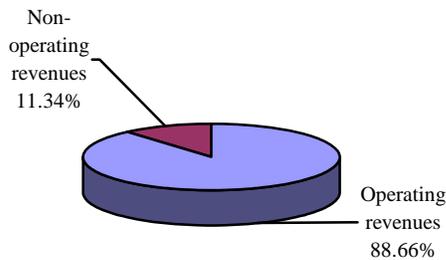
The table below shows the changes in net assets for fiscal year 2008 and 2007.

**Change in Net Assets**

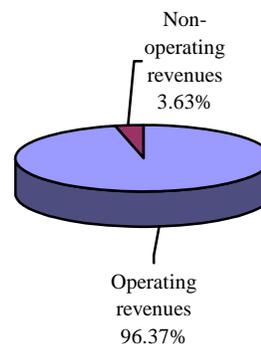
	<u>2008</u>	<u>2007</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 252,556	\$ 301,667
Total operating revenue	<u>252,556</u>	<u>301,667</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	260,552	224,269
Materials and supplies	55,777	3,560
Other	5,884	6,933
Depreciation	<u>32,936</u>	<u>33,680</u>
Total operating expenses	<u>355,149</u>	<u>268,442</u>
<b><u>Non-operating revenues:</u></b>		
Federal and State grants	31,704	10,762
Gain on sale of capital assets	-	51
Interest income	<u>590</u>	<u>539</u>
Total non-operating revenues	<u>32,294</u>	<u>11,352</u>
Change in net assets	(70,299)	44,577
Net assets at beginning of year	<u>193,283</u>	<u>148,706</u>
Net assets at end of year	<u>\$ 122,984</u>	<u>\$ 193,283</u>

The charts below illustrate the revenues and expenses for the Academy during fiscal year 2008 and 2007.

**2008 Revenues**

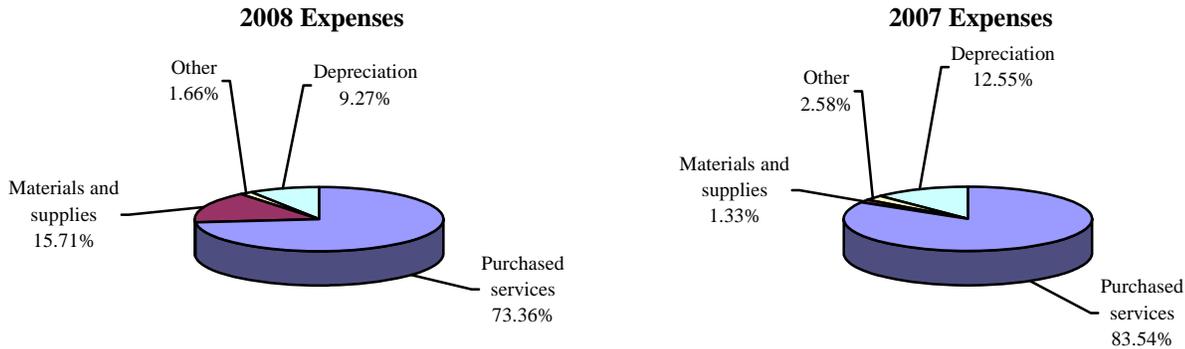


**2007 Revenues**



**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
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**MORROW COUNTY, OHIO**

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



**Economic Conditions and Outlook**

The Academy is a conversion community school sponsored by the Cardington-Lincoln Local School District. The sponsorship currently runs through 2008 and will be continuing from year to year.

At the present time, the Academy relies primarily on State funding for its resources. The Academy also received federal start up funds for the first two years of operations and receives a small federal grant (IDEA Part B) each year for special education purposes. Unlike traditional schools, the Academy cannot levy taxes and must survive on State revenues and various grants. As such, the Academy watches its expenditures closely. The Academy Director and teachers are contracted through Tri-Rivers Educational Computer Association (“TRECA”) and several curriculum providers. By operating in this fashion, the Academy is able to save substantial funds by not expending funds for fringe benefits, health care costs, etc. The Academy also contracts for EMIS and Treasurer Services through TRECA. There are no immediate financial concerns at this time. The Academy’s five-year forecast is healthy and no budgetary cuts are projected in the upcoming five-years.

The Academy is committed to operating within its financial means, while providing quality online educational opportunities to its students. The management of the Academy will also continue to pursue adequate funding sources to secure its financial stability.

**Contacting the Academy’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Academy’s finances and to show the Academy’s accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. David Henshaw, Treasurer, Cardington-Lincoln Local Digital Academy, 100 Executive Drive, Marion, Ohio 43302.

**BASIC  
FINANCIAL STATEMENTS**

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of Cardington-Lincoln Local School District)**  
**MORROW COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2008

<b>Assets:</b>	
Current Assets:	
Cash and cash equivalents . . . . .	\$ 135,322
Total current assets . . . . .	<u>135,322</u>
Non-Current Assets:	
Capital assets, net. . . . .	<u>19,365</u>
Total assets . . . . .	<u>154,687</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	<u>31,703</u>
Total liabilities . . . . .	<u>31,703</u>
<b>Net Assets:</b>	
Invested in capital assets . . . . .	19,365
Restricted for:	
State funded programs. . . . .	661
Unrestricted. . . . .	<u>102,958</u>
Total net assets . . . . .	<u>\$ 122,984</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of Cardington-Lincoln Local School District)**  
**MORROW COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<b>Operating revenues:</b>	
State foundation . . . . .	\$ 252,556
Total revenue . . . . .	<u>252,556</u>
<b>Operating expenses:</b>	
Purchased services . . . . .	260,552
Materials and supplies . . . . .	55,777
Other operating expenses . . . . .	5,884
Depreciation . . . . .	<u>32,936</u>
Total expenses . . . . .	<u>355,149</u>
Operating loss . . . . .	<u>(102,593)</u>
<b>Non-operating revenues:</b>	
Federal and State grants . . . . .	31,704
Interest income . . . . .	<u>590</u>
Total non-operating revenues . . . . .	<u>32,294</u>
Change in net assets . . . . .	(70,299)
<b>Net assets at beginning of year . . . . .</b>	<u>193,283</u>
<b>Net assets at end of year . . . . .</b>	<u><u>\$ 122,984</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of Cardington-Lincoln Local School District)**  
**MORROW COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<b>Cash flows from operating activities:</b>		
Cash received from State foundation . . . . .	\$	252,556
Cash payments to suppliers for goods and services. . .		(229,886)
Cash payments for materials and supplies . . . . .		(55,822)
Cash payments for other expenses . . . . .		(5,884)
		(39,036)
 <b>Net cash used in operating activities . . . . .</b>		
		(39,036)
 <b>Cash flows from noncapital financing activities:</b>		
Federal and State grants. . . . .		34,348
		34,348
 <b>Net cash provided by noncapital financing activities . . . . .</b>		
		34,348
 <b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets . . . . .		(1,759)
		(1,759)
 <b>Net cash used in capital and related financing activities . . . . .</b>		
		(1,759)
 <b>Cash flows from investing activities:</b>		
Interest received . . . . .		998
		998
 <b>Net cash provided by investing activities . . . . .</b>		
		998
Net decrease in cash and cash equivalents . . . . .		(5,449)
<b>Cash and cash equivalents at beginning of year . . .</b>		140,771
<b>Cash and cash equivalents at end of year. . . . .</b>	<b>\$</b>	<b>135,322</b>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss . . . . .	\$	(102,593)
Adjustments:		
Depreciation. . . . .		32,936
Changes in assets and liabilities:		
Increase in accounts payable . . . . .		30,621
		30,621
<b>Net cash used in operating activities. . . . .</b>	<b>\$</b>	<b>(39,036)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of Cardington-Lincoln Local School District)**  
**MORROW COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

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 Academy.

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 (See Note 5).

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of Cardington-Lincoln Local School District)**  
**MORROW COUNTY, OHIO**

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

**NOTE 2 - 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.

**A. 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.

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.

**B. 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.

**C. 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.

**D. Cash**

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

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of Cardington-Lincoln Local School District)**  
**MORROW COUNTY, OHIO**

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

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

**E. 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.

**F. 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.

**G. 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.

**H. 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.

**I. 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.

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY  
(A Component Unit of Cardington-Lincoln Local School District)  
MORROW COUNTY, OHIO**

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

**NOTE 3 - 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.

**NOTE 4 - 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>

**NOTE 5 - SERVICE AGREEMENTS**

**A. 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.

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY  
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MORROW COUNTY, OHIO**

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

**NOTE 5 - SERVICE AGREEMENTS - (Continued)**

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.
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.

**B. 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>

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY  
(A Component Unit of Cardington-Lincoln Local School District)  
MORROW COUNTY, OHIO**

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

**NOTE 6 - 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.

**NOTE 7 - CONTINGENCIES**

**A. 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.

**B. 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.

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY  
(A Component Unit of Cardington-Lincoln Local School District)  
MORROW COUNTY, OHIO**

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

**NOTE 7 - CONTINGENCIES - (Continued)**

**C. 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.

**NOTE 8 - 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>\$ 260,552</u>



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

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**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 Directors  
Cardington-Lincoln Local Digital Academy  
100 Executive Drive  
Marion, Ohio 43302

We have audited the financial statements of the Cardington-Lincoln Local Digital Academy, Morrow County, Ohio, (a component unit of Cardington-Lincoln Local School District), as of and for the fiscal year ended June 30, 2008, which collectively comprise Cardington-Lincoln Local Digital Academy's basic financial statements and have issued our report thereon dated October 15, 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 the Cardington-Lincoln Local Digital Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cardington-Lincoln Local Digital Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cardington-Lincoln Local Digital Academy'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 the Cardington-Lincoln Local Digital Academy'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 the Cardington-Lincoln Local Digital Academy's financial statements that is more than inconsequential will not be prevented or detected by the Cardington-Lincoln Local Digital Academy'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 the Cardington-Lincoln Local Digital Academy's internal control.

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.

Board of Directors  
Cardington-Lincoln Local Digital Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cardington-Lincoln Local Digital Academy'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of Directors of the Cardington-Lincoln Local Digital Academy and is not intended to be and should not be used by anyone other than these specified parties.

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

Julian & Grube, Inc.  
October 15, 2008



**Mary Taylor, CPA**  
Auditor of State

**CARDINGTON LINCOLN LOCAL DIGITAL ACADEMY**

**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 18, 2008**