

**CARDINGTON LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2010**



**Dave Yost • Auditor of State**



**CARDINGTON LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Cardington-Lincoln Local School District  
Morrow County  
121 Nichols Street  
Cardington Ohio 43315

To the Board of Education

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 (the District), as of and for the year ended June 30, 2010 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the 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 January 28, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the 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. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 28, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010. 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 fiscal year 2010 are as follows:

- In total, net assets of governmental activities decreased \$1,970,739 which represents a 7.65% decrease from 2009.
- General revenues accounted for \$10,181,593 in revenue or 80.66% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,440,811 or 19.34% of total revenues of \$12,622,404.
- The District had \$14,285,208 in expenses related to governmental activities; \$2,440,811 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 \$10,181,593 were not adequate to provide for these programs.
- The District's has three major governmental funds, the general fund, bond retirement fund and the classroom facilities fund. The general fund had \$10,458,220 in revenues and \$10,683,160 in expenditures. During fiscal year 2010, the general fund's fund balance decreased \$224,940 from \$631,939 to \$406,999.
- The bond retirement fund had \$448,067 in revenues and \$524,813 in expenditures. During fiscal year 2010, the bond retirement fund's fund balance decreased \$76,746 from \$1,392,562 to \$1,315,816.
- The classroom facilities fund had \$387 in revenues and an extraordinary item of \$307,935. During fiscal year 2010, the classroom facilities fund's fund balance decreased \$307,548 from \$422,181 to \$114,633.

**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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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 2010?" 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.

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 funds 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, bond retirement fund and classroom facilities 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.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

***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.

**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 at June 30, 2010 and June 30, 2009.

	<b>Net Assets</b>	
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 6,285,036	\$ 6,673,787
Capital assets, net	<u>26,696,408</u>	<u>28,050,812</u>
Total assets	<u>32,981,444</u>	<u>34,724,599</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,698,135	3,259,554
Long-term liabilities	<u>5,493,108</u>	<u>5,704,105</u>
Total liabilities	<u>9,191,243</u>	<u>8,963,659</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	22,276,414	23,295,818
Restricted	2,174,827	2,574,955
Unrestricted (deficit)	<u>(661,040)</u>	<u>(109,833)</u>
Total net assets	<u>\$ 23,790,201</u>	<u>\$ 25,760,940</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$23,790,201.

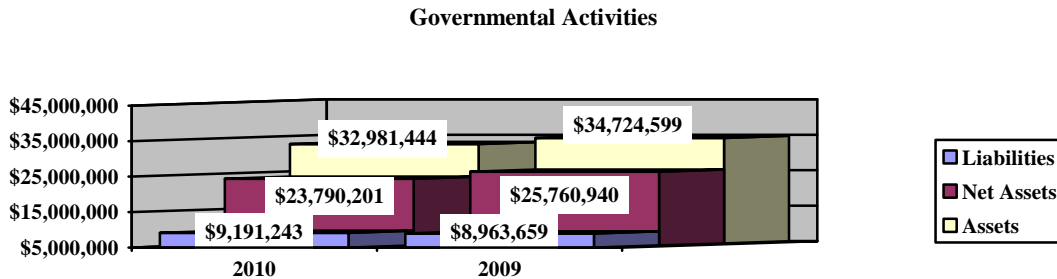
**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

At year-end, capital assets represented 80.94% 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, 2010 were \$22,276,414. 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, \$2,174,827, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$661,040.

The graph below presents the District's assets, liabilities and net assets at June 30, 2010 and June 30, 2009:



The table below shows the change in net assets for fiscal year 2010 and 2009.

	<b>Change in Net Assets</b>	
	Governmental Activities 2010	Governmental Activities 2009
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,046,228	\$ 982,920
Operating grants and contributions	1,394,583	1,618,392
General revenues:		
Property taxes	2,556,228	2,366,911
Grants and entitlements	7,232,967	6,665,975
Payment in lieu of taxes	127,684	160,294
Investment earnings	131,265	49,369
Other	133,449	43,113
<b>Total revenues</b>	<b><u>12,622,404</u></b>	<b><u>11,886,974</u></b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Change in Net Assets**

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,732,481	\$ 5,827,947
Special	1,471,664	1,357,723
Vocational	333,379	327,129
Other	1,429,103	1,443,034
Support services:		
Pupil	404,536	467,419
Instructional staff	480,882	471,952
Board of education	38,070	31,799
Administration	1,047,835	1,014,911
Fiscal	238,332	233,011
Operations and maintenance	1,384,831	1,717,239
Pupil transportation	571,413	514,140
Operations of non-instructional services:		
Food service operations	560,015	545,026
Other non-instructional services	3,670	1,810
Extracurricular activities	344,434	353,214
Interest and fiscal charges	<u>244,563</u>	<u>242,647</u>
Total expenses	<u>14,285,208</u>	<u>14,549,001</u>
<b><u>Extraordinary item</u></b>		
Refund to Ohio Schools Facilities Commission	<u>(307,935)</u>	<u>-</u>
Change in net assets	(1,970,739)	(2,662,027)
Net assets at beginning of year	<u>25,760,940</u>	<u>28,422,967</u>
Net assets at end of year	<u>\$ 23,790,201</u>	<u>\$ 25,760,940</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$1,970,739. Total governmental expenses of \$14,285,208 were offset by program revenues of \$2,440,811 and general revenues of \$10,181,593. Program revenues supported 17.09% 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 77.55% of total governmental revenue.

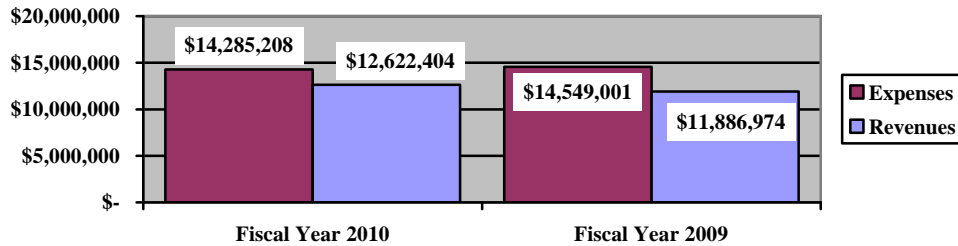
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,966,627 or 62.77% of total governmental expenses for fiscal year 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2010 and 2009:

**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>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,732,481	\$ 4,934,695	\$ 5,827,947	\$ 5,149,022
Special	1,471,664	957,771	1,357,723	416,250
Vocational	333,379	248,156	327,129	242,541
Other	1,429,103	1,424,103	1,443,034	1,438,034
Support services:				
Pupil	404,536	404,536	467,419	467,419
Instructional staff	480,882	469,940	471,952	222,405
Board of education	38,070	38,070	31,799	31,799
Administration	1,047,835	599,362	1,014,911	957,211
Fiscal	238,332	238,332	233,011	233,011
Operations and maintenance	1,384,831	1,376,031	1,717,239	1,705,239
Pupil transportation	571,413	550,869	514,140	499,456
Operations of non-instructional services:				
Food service operations	560,015	105,981	545,026	101,852
Other non-instructional services	3,670	3,670	1,810	1,810
Extracurricular activities	344,434	248,318	353,214	238,993
Interest and fiscal charges	244,563	244,563	242,647	242,647
<b>Total expenses</b>	<b><u>\$ 14,285,208</u></b>	<b><u>\$ 11,844,397</u></b>	<b><u>\$ 14,549,001</u></b>	<b><u>\$ 11,947,689</u></b>

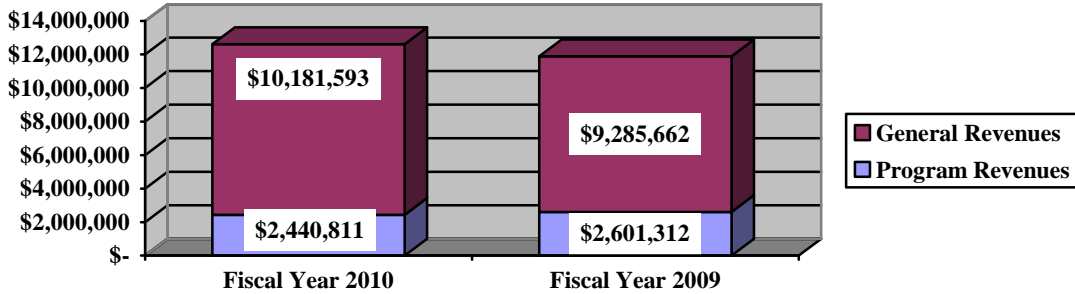
The dependence upon tax and other general revenues for governmental activities is apparent, 84.37% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenues would support 82.91% of the total expenditures. The District's taxpayers and unrestricted grants and entitlements 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, 2010

The graph below presents the District's governmental activities revenue for fiscal year 2010 and 2009.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,306,571, which is lower than last year's total of \$3,163,826. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	(Decrease)	Percentage Change
General	\$ 406,999	\$ 631,939	\$ (224,940)	(35.60) %
Bond retirement	1,315,816	1,392,562	(76,746)	(5.51) %
Classroom facilities	114,633	422,181	(307,548)	(72.85) %
Other governmental	469,123	717,144	(248,021)	(34.58) %
<b>Total</b>	<b>\$ 2,306,571</b>	<b>\$ 3,163,826</b>	<b>\$ (857,255)</b>	<b>(27.10) %</b>

**General Fund**

The District's general fund balance decreased \$224,940. The decrease in total fund balances can be attributed to a decrease in tax revenue and a special item related to the estimated refund due to the Ohio School Facilities Commission relating to the completed construction of the District's school facilities project.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The table that follows assists in illustrating the financial activities and fund balances of the general fund:

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Property taxes	\$ 2,098,789	\$ 1,910,399	\$ 188,390	9.86 %
Tuition	709,650	585,475	124,175	21.21 %
Earnings on investments	136,947	41,730	95,217	228.17 %
Intergovernmental	7,251,070	7,420,627	(169,557)	(2.28) %
Other revenues	134,080	47,709	86,371	181.04 %
Payment in lieu of taxes	<u>127,684</u>	<u>160,294</u>	<u>(32,610)</u>	(20.34) %
<b>Total</b>	<b><u>\$ 10,458,220</u></b>	<b><u>\$ 10,166,234</u></b>	<b><u>\$ 291,986</u></b>	<b>2.87 %</b>
	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 7,024,365	\$ 7,358,359	\$ (333,994)	(4.54) %
Support services	3,464,551	4,079,527	(614,976)	(15.07) %
Non-instructional services	3,670	1,810	1,860	102.76 %
Extracurricular activities	<u>190,574</u>	<u>181,229</u>	<u>9,345</u>	5.16 %
<b>Total</b>	<b><u>\$ 10,683,160</u></b>	<b><u>\$ 11,620,925</u></b>	<b><u>\$ (937,765)</u></b>	<b>(8.07) %</b>

Overall revenues of the general fund increased \$291,986 or 2.87%. Tax revenue increased \$188,390 from the prior year. This increase was attributable to the amount of taxes collected and available to the District as an advance at fiscal year end. The amount of tax advances available from the county auditor can vary depending upon when tax bills are mailed. The increase in earnings on investment of \$95,217 is due to the maturity of a certificate of deposit. Payment in lieu of taxes decreased \$32,610 due to the timing and collection of receipts related to property tax exemption compensation.

Overall expenditures of the general fund decreased \$937,765 or 8.07%. The most significant decreases were in the area of instruction and support services. These decreases are primarily due to the reduction of certified employees by 10% from the prior year and other cost saving measures put in place by the District.

***Bond Retirement Fund***

The District's bond retirement fund, had \$448,067 in revenues and \$524,813 in expenditures. During fiscal year 2010, the bond retirement fund's fund balance decreased \$76,746 from \$1,392,562 to \$1,315,816.

***Classroom Facilities Fund***

The District's classroom facilities fund, had \$387 in revenues and an extraordinary item of \$307,935. The extraordinary item was for the refund due to the Ohio School Facilities Commission related to the completed construction of the District's school facilities project. During fiscal year 2010, the classroom facilities fund's fund balance decreased \$307,548 from \$422,181 to \$114,633.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

***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 2010, the original budgeted revenues of \$10,142,844 matched the final budgeted revenues of \$10,142,844. Actual revenues for fiscal 2010 were \$10,438,254. This represents a \$295,410 increase over final budgeted revenues.

General fund original appropriations and other financing uses totaled \$11,808,862, which is \$486,285 higher than the final appropriations and other financing uses of \$11,322,577. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$10,814,577, which is \$508,000 less than the final budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2010, the District had \$26,696,408 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 June 30, 2010 balances compared to June 30, 2009:

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

	Governmental Activities	
	2010	2009
Land	\$ 279,100	\$ 279,100
Land improvements	1,255,554	1,367,438
Building and improvements	24,735,418	25,902,583
Furniture and equipment	322,836	358,158
Vehicles	103,500	143,533
Total	\$ 26,696,408	\$ 28,050,812

The overall decrease in capital assets of \$1,354,404 is due to current year depreciation expense of \$1,365,602 exceeding current year additions of \$11,198.

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

***Debt Administration***

At June 30, 2010, the District had \$4,796,458 in general obligation bonds outstanding. Of this total, \$360,000 is due within one year and \$4,436,458 is due in more than one year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The following table summarizes the bonds and loans outstanding:

**Outstanding Debt, at Year End**

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
Current interest bonds - series 2002	\$ 385,000	\$ 570,000
Capital appreciation bonds - series 2002	259,996	259,996
Accreted interest - series 2002	229,866	194,686
Current interest bonds - series 2003	2,740,000	2,850,000
Capital appreciation bonds - series 2003	74,998	74,998
Accreted interest - series 2003	102,570	81,998
Current interest bonds - auditorium	920,000	960,000
Capital appreciation bonds - auditorium	40,000	40,000
Accreted interest - auditorium	<u>44,028</u>	<u>34,250</u>
 Total	 <u>\$ 4,796,458</u>	 <u>\$ 5,065,928</u>

At June 30, 2010, the District's voted debt margin was \$7,231,367 and an unvoted debt margin of \$114,839.

See Note 9 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 the 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 biennium for fiscal year 2010 and 2011 will provide new funding to the District as unrestricted funds. From 1998 to 2008, local property values have increased \$60,374,265. 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

81% 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 9%. 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.



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

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Cardington-Lincoln Local Digital Academy</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . .	\$ 3,599,597	\$ 109,911
Cash with escrow agent . . . . .	1,962	-
Receivables:		
Taxes . . . . .	2,482,409	-
Payment in lieu of taxes . . . . .	127,684	-
Accounts . . . . .	55	-
Accrued interest . . . . .	1,309	-
Intergovernmental . . . . .	41,910	19,504
Prepayments . . . . .	18,016	-
Materials and supplies inventory . . . . .	12,094	-
Capital assets:		
Land . . . . .	279,100	-
Depreciable capital assets, net . . . . .	26,417,308	12,457
Capital assets, net . . . . .	<u>26,696,408</u>	<u>12,457</u>
Total assets . . . . .	<u>32,981,444</u>	<u>141,872</u>
<b>Liabilities:</b>		
Accounts payable . . . . .	20,574	5,263
Retainage payable . . . . .	1,962	-
Accrued wages and benefits . . . . .	900,427	-
Pension obligation payable . . . . .	290,784	-
Intergovernmental payable . . . . .	564,990	731
Unearned revenue . . . . .	1,909,907	-
Accrued interest payable . . . . .	9,491	-
Long-term liabilities:		
Due within one year . . . . .	424,459	-
Due in more than one year . . . . .	5,068,649	-
Total liabilities . . . . .	<u>9,191,243</u>	<u>5,994</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt . . . . .	22,276,414	12,457
Restricted for:		
Capital projects . . . . .	161,968	-
Classroom facilities maintenance . . . . .	533,021	-
Debt service . . . . .	1,344,718	-
Locally funded programs . . . . .	1	-
State funded programs . . . . .	5,654	-
Federally funded programs . . . . .	12,920	19,395
Public school support . . . . .	63,746	-
Student activities . . . . .	48,472	-
Other purposes . . . . .	4,327	-
Unrestricted (deficit) . . . . .	<u>(661,040)</u>	<u>104,026</u>
Total net assets . . . . .	<u>\$ 23,790,201</u>	<u>\$ 135,878</u>

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, 2010

Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services and Sales	Operating Grants and Contributions	Primary Government	Component Unit	
			Governmental Activities	Cardington Lincoln Local Digital Academy	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,732,481	\$ 709,650	\$ 88,136	\$ (4,934,695)	\$ -
Special . . . . .	1,471,664	-	513,893	(957,771)	-
Vocational . . . . .	333,379	-	85,223	(248,156)	-
Other . . . . .	1,429,103	-	5,000	(1,424,103)	-
Support services:					
Pupil . . . . .	404,536	-	-	(404,536)	-
Instructional staff . . . . .	480,882	-	10,942	(469,940)	-
Board of education . . . . .	38,070	-	-	(38,070)	-
Administration . . . . .	1,047,835	36,498	411,975	(599,362)	-
Fiscal . . . . .	238,332	-	-	(238,332)	-
Operations and maintenance . . . . .	1,384,831	-	8,800	(1,376,031)	-
Pupil transportation . . . . .	571,413	-	20,544	(550,869)	-
Operation of non-instructional services:					
Food service operations . . . . .	560,015	204,008	250,026	(105,981)	-
Other non-instructional services . . . . .	3,670	-	-	(3,670)	-
Extracurricular activities . . . . .	344,434	96,072	44	(248,318)	-
Interest and fiscal charges . . . . .	244,563	-	-	(244,563)	-
Total governmental activities . . . . .	\$ 14,285,208	\$ 1,046,228	\$ 1,394,583	(11,844,397)	-
<b>Component Unit:</b>					
Cardington-Lincoln					
Local Digital Academy . . . . .	\$ 314,650	\$ -	\$ 58,333	-	(256,317)
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					
Special revenue . . . . .					
Debt service . . . . .					
Grants and entitlements not restricted to specific programs . . . . .					
Payment in lieu of taxes . . . . .					
Investment earnings . . . . .					
Miscellaneous . . . . .					
Total general revenues . . . . .					
<b>Extraordinary item:</b>					
Refund to Ohio School Facilities Commission . . . . .					
Total general revenues and extraordinary item . . . . .					
Change in net assets . . . . .					
<b>Net assets at beginning of year. . . . .</b>					
<b>Net assets at end of year . . . . .</b>					

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents. . . . .	\$ 988,905	\$ 1,233,860	\$ 630,502	\$ 717,854	\$ 3,571,121
Receivables:					
Taxes . . . . .	2,029,750	413,393	-	39,266	2,482,409
Payment in lieu of taxes. . . . .	127,684	-	-	-	127,684
Accounts. . . . .	-	-	-	55	55
Accrued interest . . . . .	1,309	-	-	-	1,309
Intergovernmental . . . . .	231	-	-	41,679	41,910
Prepayments. . . . .	18,016	-	-	-	18,016
Materials and supplies inventory. . . . .	-	-	-	12,094	12,094
Due from other funds . . . . .	56,623	-	-	-	56,623
Restricted assets:					
Cash with escrow agent. . . . .	-	-	1,962	-	1,962
Equity in pooled cash and cash equivalents . . . . .	28,476	-	-	-	28,476
Total assets . . . . .	<u>\$ 3,250,994</u>	<u>\$ 1,647,253</u>	<u>\$ 632,464</u>	<u>\$ 810,948</u>	<u>\$ 6,341,659</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 20,574	\$ -	\$ -	\$ -	\$ 20,574
Retainage payable. . . . .	-	-	1,962	-	1,962
Accrued wages and benefits. . . . .	805,262	-	-	95,165	900,427
Compensated absences payable . . . . .	19,378	-	-	-	19,378
Intergovernmental payable . . . . .	41,409	-	515,869	7,712	564,990
Unearned revenue. . . . .	1,483,337	293,044	-	133,526	1,909,907
Deferred revenue . . . . .	216,191	38,393	-	15,859	270,443
Pension obligation payable . . . . .	257,844	-	-	32,940	290,784
Due to other funds . . . . .	-	-	-	56,623	56,623
Total liabilities. . . . .	<u>2,843,995</u>	<u>331,437</u>	<u>517,831</u>	<u>341,825</u>	<u>4,035,088</u>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	34,755	-	-	28,440	63,195
Reserved for materials and supplies inventory . . . . .	-	-	-	12,094	12,094
Reserved for prepayments. . . . .	18,016	-	-	-	18,016
Reserved for tax revenue unavailable for appropriation . . . . .	459,347	81,956	-	8,618	549,921
Reserved for debt service . . . . .	-	1,233,860	-	-	1,233,860
Reserved for BWC refunds . . . . .	28,476	-	-	-	28,476
Unreserved, undesignated reported in:					
Designated for budget stabilization . . . . .	-	-	-	-	-
Undesignated (deficit), reported in:					
General fund. . . . .	(133,595)	-	-	-	(133,595)
Special revenue funds . . . . .	-	-	-	372,636	372,636
Capital projects funds . . . . .	-	-	114,633	47,335	161,968
Total fund balances . . . . .	<u>406,999</u>	<u>1,315,816</u>	<u>114,633</u>	<u>469,123</u>	<u>2,306,571</u>
Total liabilities and fund balances . . . . .	<u>\$ 3,250,994</u>	<u>\$ 1,647,253</u>	<u>\$ 632,464</u>	<u>\$ 810,948</u>	<u>\$ 6,341,659</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, 2010

<b>Total governmental fund balances</b>		\$	2,306,571
<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.			26,696,408
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	257,209	
Intergovernmental receivable		11,925	
Accrued interest receivable		1,309	
Total		270,443	270,443
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(9,491)
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 payable		(677,272)	
General obligation bonds payable		(4,796,458)	
Total		(5,473,730)	(5,473,730)
<b>Net assets of governmental activities</b>		\$	23,790,201

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, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 2,098,789	\$ 369,835	\$ -	\$ 39,607	\$ 2,508,231
Tuition . . . . .	709,650	-	-	-	709,650
Earnings on investments . . . . .	136,947	-	387	114	137,448
Charges for services . . . . .	-	-	-	204,008	204,008
Extracurricular . . . . .	631	-	-	131,939	132,570
Contributions and donations . . . . .	-	-	-	3,210	3,210
Other local revenues . . . . .	133,449	-	-	-	133,449
Payment in lieu of taxes . . . . .	127,684	-	-	-	127,684
Intergovernmental - state . . . . .	7,236,133	78,232	-	462,018	7,776,383
Intergovernmental - federal . . . . .	14,937	-	-	864,084	879,021
<b>Total revenues . . . . .</b>	<u>10,458,220</u>	<u>448,067</u>	<u>387</u>	<u>1,704,980</u>	<u>12,611,654</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	4,593,790	-	-	102,034	4,695,824
Special . . . . .	708,220	-	-	715,152	1,423,372
Vocational . . . . .	298,252	-	-	-	298,252
Other . . . . .	1,424,103	-	-	5,000	1,429,103
Support services:					
Pupil . . . . .	403,261	-	-	-	403,261
Instructional staff . . . . .	419,627	-	-	10,940	430,567
Board of education . . . . .	38,070	-	-	-	38,070
Administration . . . . .	577,708	-	-	432,480	1,010,188
Fiscal . . . . .	225,409	10,985	-	1,192	237,586
Operations and maintenance . . . . .	1,270,297	-	-	111,586	1,381,883
Pupil transportation . . . . .	530,179	-	-	-	530,179
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	476,335	476,335
Other non-instructional services . . . . .	3,670	-	-	-	3,670
Extracurricular activities . . . . .	190,574	-	-	98,282	288,856
Debt service:					
Principal retirement . . . . .	-	335,000	-	-	335,000
Interest and fiscal charges . . . . .	-	178,828	-	-	178,828
<b>Total expenditures . . . . .</b>	<u>10,683,160</u>	<u>524,813</u>	<u>-</u>	<u>1,953,001</u>	<u>13,160,974</u>
Excess/(deficiency) of revenues over/(under) expenditures . . . . .	(224,940)	(76,746)	387	(248,021)	(549,320)
<b>Extraordinary item:</b>					
Refund to Ohio School Facilities Commission . . . . .	-	-	(307,935)	-	(307,935)
<b>Net change in fund balances . . . . .</b>	(224,940)	(76,746)	(307,548)	(248,021)	(857,255)
<b>Fund balances at beginning of year . . . . .</b>	631,939	1,392,562	422,181	717,144	3,163,826
<b>Fund balances at end of year . . . . .</b>	<u>\$ 406,999</u>	<u>\$ 1,315,816</u>	<u>\$ 114,633</u>	<u>\$ 469,123</u>	<u>\$ 2,306,571</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 FISCAL YEAR ENDED JUNE 30, 2010

**Net change in fund balances - total governmental funds** \$ (857,255)

*Amounts reported for governmental activities in the statement of activities are different because:*

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 that depreciation expense exceeded capital outlay in the current year.

Capital asset additions	\$	11,198	
Current year depreciation		(1,365,602)	
Total			(1,354,404)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes		47,997	
Intergovernmental revenue		(31,178)	
Earnings on investments		(6,069)	
Total			10,750

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement net assets. 335,000

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.

Increase in accrued interest payable		(205)	
Accreted interest on "capital appreciation" bonds		(65,530)	
Total			(65,735)

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. (39,095)

**Change in net assets of governmental activities** **\$ (1,970,739)**

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, 2010

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,040,000	\$ 2,040,000	\$ 2,051,960	\$ 11,960
Tuition . . . . .	557,500	557,500	709,650	152,150
Earnings on investments . . . . .	40,000	40,000	1,196	(38,804)
Extracurricular . . . . .	500	500	631	131
Other local revenues . . . . .	84,844	84,844	133,449	48,605
Payment in lieu of taxes . . . . .	-	-	287,978	287,978
Intergovernmental - state . . . . .	7,420,000	7,420,000	7,237,695	(182,305)
Intergovernmental - federal . . . . .	-	-	14,937	14,937
Total revenues . . . . .	<u>10,142,844</u>	<u>10,142,844</u>	<u>10,437,496</u>	<u>294,652</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,779,194	4,582,389	4,620,670	(38,281)
Special . . . . .	461,432	442,430	779,387	(336,957)
Vocational . . . . .	347,634	333,319	297,441	35,878
Other . . . . .	1,422,894	1,364,300	1,427,220	(62,920)
Support services:				
Pupil . . . . .	428,390	410,749	412,465	(1,716)
Instructional staff . . . . .	495,284	474,888	412,894	61,994
Board of education . . . . .	58,697	56,280	43,714	12,566
Administration . . . . .	982,113	941,670	572,992	368,678
Fiscal . . . . .	244,805	234,724	222,229	12,495
Operations and maintenance . . . . .	1,725,223	1,654,179	1,284,219	369,960
Pupil transportation . . . . .	558,739	535,730	547,760	(12,030)
Operation of non-instructional services . . . . .	7,301	7,000	3,670	3,330
Extracurricular activities . . . . .	190,254	182,419	189,916	(7,497)
Total expenditures . . . . .	<u>11,701,960</u>	<u>11,220,077</u>	<u>10,814,577</u>	<u>405,500</u>
Excess of expenditures over revenues . . . . .	<u>(1,559,116)</u>	<u>(1,077,233)</u>	<u>(377,081)</u>	<u>700,152</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	-	-	758	758
Refund of prior year's receipts . . . . .	(2,607)	(2,500)	-	2,500
Other uses . . . . .	(104,295)	(100,000)	-	100,000
Total other financing sources (uses) . . . . .	<u>(106,902)</u>	<u>(102,500)</u>	<u>758</u>	<u>103,258</u>
Net change in fund balance . . . . .	(1,666,018)	(1,179,733)	(376,323)	803,410
<b>Fund balance at beginning of year . . . . .</b>	1,145,358	1,145,358	1,145,358	-
<b>Prior year encumbrances appropriated . . . . .</b>	113,796	113,796	113,796	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (406,864)</u>	<u>\$ 79,421</u>	<u>\$ 882,831</u>	<u>\$ 803,410</u>

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, 2010

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 26,916	\$ 47,450
Total assets. . . . .	<u>26,916</u>	<u>\$ 47,450</u>
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 47,450
Total liabilities . . . . .	<u>-</u>	<u>\$ 47,450</u>
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	<u>26,916</u>	
Total net assets . . . . .	<u>\$ 26,916</u>	

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, 2010

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 19
Gifts and contributions . . . . .	7,300
Total additions . . . . .	7,319
<b>Deductions:</b>	
Scholarships awarded . . . . .	5,210
Change in net assets . . . . .	2,109
<b>Net assets at beginning of year . . . . .</b>	<b>24,807</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 26,916</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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 425<sup>th</sup> largest by enrollment among the 905 public school districts and community schools in the State and the 3<sup>rd</sup> largest in Morrow County. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 55 non-certified, 84 certified employees and 6 administrators to provide services to approximately 1,232 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) guidance issued on or before November 30, 1989, to its governmental activities provided it does 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 and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. 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, 2010

**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. 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, Aaron Butts at 121 Nichols Street, Cardington, Ohio 43315-1121.

*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 2010, the District paid \$32,663 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, 2010

**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 and Ohio Association of School Business Officials 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 Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) and Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

**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.

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.

Classroom facilities fund - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio School Facilities Commission or the building and equipping of classroom facilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**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 Nonexchange 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 6).

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.

*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, 2010, but which were levied to finance fiscal year 2011 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, 2010 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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 2010 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 of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources 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 2010.
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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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, 2010. 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 2010, investments were limited to repurchase agreements and nonnegotiable certificates of deposit, 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 2010 amounted to \$136,947, which includes \$96,975 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.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**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:

Description	Governmental Activities Estimated Lives
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 negative cash balances at June 30 are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column on the statement of net assets.

**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, 2010, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010 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.

**L. Fund Balance Reserves**

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.

**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 and the special trust fund (a nonmajor governmental fund).

The District 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, 2010

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

**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.

**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 2010, 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 an extraordinary item on the statement of activities.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 31,857
Vocational education enhancement	10
IDEA Part-B	176,796
Education stabilization	3,103
Title I, disadvantaged children	25,483
Improving teacher quality	8,141

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.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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;
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 Treasury Asset Reserve of Ohio 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.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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, \$1,962 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, 2010, the carrying amount of all District deposits was \$1,468,227, exclusive of the \$2,205,736 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, 2010, \$1,135,856 of the District's bank balance of \$1,517,273 was exposed to custodial risk as discussed below, while \$381,417 was covered by the FDIC.

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, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	Investment Maturities 6 months or <u>less</u>
Repurchase agreement	<u>\$ 2,205,736</u>	<u>\$ 2,205,736</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.

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

*Credit Risk:* The 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 \$2,205,736 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, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase agreement	\$ 2,205,736	100.00

**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, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,468,227
Investments	2,205,736
Cash with escrow agent	1,962
Total	<u>\$ 3,675,925</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,601,559
Private-purpose trust funds	26,916
Agency funds	47,450
Total	<u>\$ 3,675,925</u>



**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances for the year ended June 30, 2010, consisted of the following due to/from other funds, as reported on the fund financial statements:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 56,623	\$ -
Nonmajor governmental funds:		
Vocational education enhancement	-	931
IDEA, Part B	-	44,010
Title I, disadvantaged children	-	7,453
Drug free school grant	-	3,103
Improving teacher quality	-	1,126
Total	\$ 56,623	\$ 56,623

The primary purpose of the due to/from other funds is to cover a negative cash balance in a respective fund and to represent amounts owed between funds for goods or services provided. The general fund is liable for covering a cash deficit. Due to/from other funds are eliminated between governmental funds for reporting in the statement of net assets. All amounts are to be repaid within one year.

**NOTE 6 - 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 property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 6 - PROPERTY TAXES - (Continued)**

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 Counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$459,347 in the general fund, \$81,956 in the bond retirement debt service fund and \$8,618 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$412,518 in the general fund, \$73,985 in the bond retirement debt service fund and \$7,731 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the 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, 2010 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.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 110,460,260	96.80	\$ 110,951,800	96.54
Public utility personal	3,644,970	3.20	3,710,730	3.23
Tangible personal property	<u>-</u>	<u>-</u>	<u>260,060</u>	<u>0.23</u>
Total	<u>\$ 114,105,230</u>	<u>100.00</u>	<u>\$ 114,922,590</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$31.19		\$31.19

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes, payment in lieu of taxes, accounts, 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.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 7 – RECEIVABLES - (Continued)**

A summary of the principal items of receivables reported on the statement of net assets follows:

Taxes	\$ 2,482,409
Payment in lieu of taxes	127,684
Accounts	55
Accrued interest	1,309
Intergovernmental	<u>41,910</u>
Total	<u>\$ 2,653,367</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 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/10</u>
<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	11,198	-	711,160
Vehicles	<u>906,312</u>	<u>-</u>	<u>-</u>	<u>906,312</u>
Total capital assets, being depreciated	<u>39,182,489</u>	<u>11,198</u>	<u>-</u>	<u>39,193,687</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(964,668)	(111,884)	-	(1,076,552)
Buildings and improvements	(9,341,526)	(1,167,165)	-	(10,508,691)
Furniture and equipment	(341,804)	(46,520)	-	(388,324)
Vehicles	<u>(762,779)</u>	<u>(40,033)</u>	<u>-</u>	<u>(802,812)</u>
Total accumulated depreciation	<u>(11,410,777)</u>	<u>(1,365,602)</u>	<u>-</u>	<u>(12,776,379)</u>
Governmental activities capital assets, net	<u>\$ 28,050,812</u>	<u>\$ (1,354,404)</u>	<u>\$ -</u>	<u>\$ 26,696,408</u>

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 1,020,321
Special	42,091
Vocational	31,963

Support services:

Instructional staff	46,084
Administration	32,146
Fiscal	1,460
Operations and maintenance	13,332
Pupil transportation	40,033
Extracurricular activities	55,578
Food service operation	82,594
Total depreciation expense	<u>\$ 1,365,602</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 9 - LONG-TERM OBLIGATIONS**

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

During fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance 06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/10</u>	<u>Amounts Due in One Year</u>
<b>Governmental activities:</b>						
<u>G.O. Bond - Series 2002</u>						
Current interest	2.40-4.15%	\$ 570,000	\$ -	\$ (185,000)	\$ 385,000	\$ 190,000
Capital appreciation bonds		259,996	-	-	259,996	-
Accreted interest		194,686	35,180	-	229,866	-
<u>G.O. Bond - Series 2003</u>						
Current interest	1.25-4.75%	2,850,000	-	(110,000)	2,740,000	120,000
Capital appreciation bonds		74,998	-	-	74,998	-
Accreted interest		81,998	20,572	-	102,570	-
<u>G.O. Bond - Auditorium</u>						
Current interest	1.50-4.13%	960,000	-	(40,000)	920,000	50,000
Capital appreciation bonds		40,000	-	-	40,000	-
Accreted interest		34,250	9,778	-	44,028	-
Total general obligation bonds payable		<u>\$ 5,065,928</u>	<u>\$ 65,530</u>	<u>\$ (335,000)</u>	<u>\$ 4,796,458</u>	<u>\$ 360,000</u>
<u>Other Long-Term Obligations:</u>						
Compensated absences		<u>\$ 638,177</u>	<u>\$ 97,202</u>	<u>\$ (38,729)</u>	<u>\$ 696,650</u>	<u>\$ 64,459</u>
Total other long-term obligations		<u>\$ 638,177</u>	<u>\$ 97,202</u>	<u>\$ (38,729)</u>	<u>\$ 696,650</u>	<u>\$ 64,459</u>
Total governmental activities		<u>\$ 5,704,105</u>	<u>\$ 162,732</u>	<u>\$ (373,729)</u>	<u>\$ 5,493,108</u>	<u>\$ 424,459</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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 9 - 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 \$229,866 has been included in the statement of net assets at June 30, 2010.

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 mil 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 \$102,570 has been included in the statement of net assets at June 30, 2010.

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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - 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 mil 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 \$44,028 has been included in the statement of net assets at June 30, 2010.

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:

Fiscal Year Ending June 30.	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 360,000	\$ 166,470	\$ 526,470	\$ -	\$ -	\$ -
2012	370,000	152,984	522,984	-	-	-
2013	185,000	142,835	327,835	92,421	117,579	210,000
2014	50,000	244,124	294,124	125,610	229,390	355,000
2015	-	287,928	287,928	131,847	283,153	415,000
2016 - 2020	1,050,000	672,235	1,722,235	25,116	84,884	110,000
2021 - 2025	1,565,000	292,968	1,857,968	-	-	-
2026 - 2027	465,000	14,209	479,209	-	-	-
Total	<u>\$ 4,045,000</u>	<u>\$ 1,973,753</u>	<u>\$ 6,018,753</u>	<u>\$ 374,994</u>	<u>\$ 715,006</u>	<u>\$ 1,090,000</u>

**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, 2010, are a voted debt margin of \$7,231,367 (including available funds of \$1,315,816) and an unvoted debt margin of \$114,839.

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**NOTE 10 - 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 2010, the District participated in the Ohio Casualty's 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:	
Blanket Building and Personal Property limit (\$1,000 deductible)	\$46,291,477
Equipment Breakdown (\$1,000 deductible)	Limited
Inland Marine (\$500 deductible)	\$200,000
Auto Liability & Uninsured/underinsured motorist	\$1,000,000
Medical payments	\$5,000
Public Employee Dishonesty (\$500 deductible)	\$50,000
General school district liability	\$2,000,000
Per occurrence	\$1,000,000
Umbrella Coverage	\$2,000,000
Per occurrence	\$2,000,000

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.

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

For fiscal year 2010, the District participated in the Ohio School Boards Association and Ohio Association of School Business Officials 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 United Healthcare Insurance Company. 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.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - RISK MANAGEMENT - (Continued)**

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the District.

**NOTE 11 - 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, disability, survivor 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 *Employers/Audit Resources*.

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 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations and death benefits. 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, 2010, 2009 and 2008 were \$181,490, \$127,360 and \$120,909, respectively; 39.50 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**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).

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - PENSION PLANS - (Continued)**

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 2010, 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.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$670,240, \$677,706 and \$637,276, respectively; 82.30 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$26,225 made by the District and \$18,733 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 12 - 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-certificated 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

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 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$34,554, \$84,685 and \$79,620, respectively; 39.50 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$10,793, \$10,508 and \$8,712, respectively; 39.50 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

**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 2010, 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, 2010, 2009, and 2008 were \$51,557, \$52,131 and \$49,021, respectively; 82.30 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 13 - 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 revenues, 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); and,
- (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, 2010

**NOTE 13 - 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	\$ (376,323)
Net adjustment for revenue accruals	20,724
Net adjustment for expenditure accruals	76,233
Net adjustment for other sources/uses	(758)
Adjustment for encumbrances	55,184
GAAP basis	\$ (224,940)

**NOTE 14 - 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 15 - STATUTORY RESERVES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instrumental materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 15 - STATUTORY RESERVES**

During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	Textbooks/ Instructional Materials	Capital Acquisition	BWC Refunds
Set-aside balance as of June 30, 2009	\$ (124,918)	\$ (22,653,874)	\$ 28,476
Current year set-aside requirement	195,945	195,945	-
Qualifying disbursements	<u>(99,409)</u>	<u>(53,422)</u>	<u>-</u>
Total as of June 30, 2010	<u>\$ (28,382)</u>	<u>\$ (22,511,351)</u>	<u>\$ 28,476</u>
Balance carried forward to fiscal year 2011	<u>\$ (28,382)</u>	<u>\$ (22,511,351)</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, 2010 was \$89,029. For fiscal year 2010, the fund balance designation for budget stabilization will not be recorded as the unreserved, undesignated fund balance in the general fund is negative. Therefore, the District has not reported a fund balance designation for budget stabilization in the general fund for fiscal year 2010. The District will report a fund balance designation for budget stabilization in future reporting periods if the unreserved, undesignated fund balance in the general fund is sufficient.

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, 2010 follows:

Amounts restricted for BWC refunds	<u>\$ 28,476</u>
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**NOTE 16 - CARDINGTON-LINCOLN LOCAL DIGITAL 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 school.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 16 – 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. A successor contract was approved for five years ending on June 30, 2013. 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 operates under the direction of a five-member Board of Directors which consists of 5 community members who are neither officers nor employees of the Cardington-Lincoln Local School District, or other public official representing a governmental entity that desires to further the establishment and operation of the School District. 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 Cardington-Lincoln Local School District is also the Treasurer of the Academy.

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).

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) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy does not apply FASB guidance 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 16 – CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY – (Continued)**

**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.

**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.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 16 – CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY – (Continued)**

**G. Intergovernmental Revenue**

The Academy currently participates in the Management Information Systems Grant, the IDEA Part B Grant, the Title I Grant, the Safe and Drug Free Schools Grant, the Improving Teacher Quality Grant, the Title V Grant, Title II-D Grant and the State Foundation Program. 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. Revenues received from the State Foundation Program are recognized as operating revenues.

**H. Accrued Liabilities**

The Academy has recognized certain expenses due, but unpaid as of June 30, 2010. 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.

**J. Deposits**

At June 30, 2010, the carrying amount of the Academy’s deposits was \$109,911. Based on the criteria discussed in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, the Academy’s entire bank balance of \$109,911 was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

The Academy had no investments.

**K. Capital Assets**

	<u>Balance</u>				<u>Balance</u>
	<u>6/30/2009</u>	<u>Additions</u>	<u>Reductions</u>		<u>6/30/2010</u>
Equipment	\$ 114,730	\$ 9,690	\$ -		\$ 124,420
Less: accumulated depreciation	<u>(105,660)</u>	<u>(6,303)</u>	<u>-</u>		<u>(111,963)</u>
Net capital assets	<u>\$ 9,070</u>	<u>\$ 3,387</u>	<u>\$ -</u>		<u>\$ 12,457</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 16 – CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY – (Continued)**

**L. Service Agreements**

**Tri-Rivers Educational Computer Association**

The Academy entered into a one-year agreement on August 17, 2009, with Tri-Rivers Educational Computer Association (“TRECA”) for planning, instructional, administrative and technical services required for the operation of the Academy for fiscal year 2010. 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:

Enrollment - \$3,875 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. The Academy receives a maximum reduction of \$47,500 to the enrollment fee by providing one full-time certified teacher who meets the staffing needs of TRECA. This is contingent on the staffing needs of TRECA and the reduction will be prorated with the actual amount dependent upon the number of days the teacher is contracted to work with TRECA.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 16 – CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY – (Continued)**

**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 2010. 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 2010 from the Academy to Cardington-Lincoln Local School District:

Administrative fee	\$ 41,900
Professional Services	5,000
Computers	<u>9,692</u>
Total amount of payments made by the Academy to Cardington-Lincoln Local School District for fiscal year 2010	<u><u>\$ 56,592</u></u>

**M. 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 2010, the Academy was named as an additional insured party on Cardington-Lincoln Local School District's, the Sponsor, insurance policy.

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

**N. 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, 2010.

**Litigation**

The Academy is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 16 – CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY – (Continued)**

**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. For fiscal year 2010, the results of this review resulted in a decrease of \$731 that is reflected as an intergovernmental payable in the financial statements.

**O. Purchased Services**

For fiscal year ended June 30, 2010, purchased services expenses were as follows:

Professional and technical services	\$ 299,647
Transportation	1,469
Communications/Utilities	<u>424</u>
Total	<u>\$ 301,540</u>

**P. Accountability and Compliance**

**Change in Accounting Principles**

For fiscal year 2010, the Academy has implemented GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”, GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, and GASB Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the Academy.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the Academy.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the Academy.

**CARDINGTON LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
Non - Cash Assistance			
National School Lunch Program	10.555	\$ 49,082	\$ 49,082
Cash Assistance			
National Breakfast Lunch Program	10.553	51,420	51,420
National School Lunch Program	10.555	169,306	169,306
Total Nutrition Cluster		<u>269,808</u>	<u>269,808</u>
Total United States Department of Agriculture		<u>269,808</u>	<u>269,808</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>			
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	151,863	165,174
ARRA - Title I Grants to Local Educational Agencies	84.389	36,883	37,846
Total Title I Cluster		<u>188,746</u>	<u>203,020</u>
Special Education Cluster:			
Special Education Grants to States	84.027	204,794	222,068
ARRA - Special Education Grants to States	84.391	240,623	267,359
Total Special Education Cluster		<u>445,417</u>	<u>489,427</u>
Safe and Drug Free School and Communities State Grants	84.186	345	3,448
Education Technology State Grants	84.318	1,494	1,494
Improving Teacher Quality State Grants	84.367	60,989	64,350
ARRA - SFSF Stabilization Fund	84.394	420,337	404,314
Total United States Department of Education		<u>1,117,328</u>	<u>1,166,053</u>
<b>Total Federal Awards</b>		<u><u>\$ 1,387,136</u></u>	<u><u>\$ 1,435,861</u></u>

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

**CARDINGTON LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Cardington Lincoln Local School District (the District's) federal award programs receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C- FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

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

Cardington-Lincoln Local School District  
Morrow County  
121 Nichols Street  
Cardington, Ohio 43315

To the Board of Education

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 (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

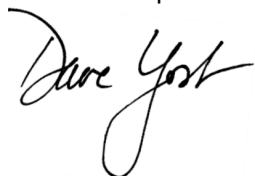
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**DAVE YOST**  
Auditor of State

January 28, 2011





# Dave Yost • Auditor of State

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

Cardington-Lincoln Local School District  
Morrow County  
121 Nichols Street  
Cardington, Ohio 43315

To the Board of Education:

### Compliance

We have audited the compliance of the Cardington Local School District, Morrow County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in item 2010-002 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding period of availability applicable to its Special Education Grant Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Cardington Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

The results of our auditing procedures also disclosed another instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2010-001.

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### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-002 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-001 to be a significant deficiency

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 28, 2011.

The District's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



**Dave Yost**  
Auditor of State

January 28, 2011

**CARDINGTON LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified - State Fiscal Stabilization Fund CFDA # 84.394  Qualified - Special Education Grant Cluster CFDA # 84.027 & 84.391
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grant Cluster: Special Education Grants to States CFDA #84.027 & 84.391 ARRA State Fiscal Stabilization CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**CARDINGTON LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**State Fiscal Stabilization Fund (SFSF) – Unallowed Activities**

<b>Finding Number</b>	2010-001
<b>CFDA Title and Number</b>	CFDA #84.394 State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)
<b>Federal Award Number / Year</b>	31-6400358/2010
<b>Federal Agency</b>	The United States Department of Education
<b>Pass-Through Agency</b>	The Ohio Department of Education

**Noncompliance/Questioned Costs/Significant Deficiency**

**State Fiscal Stabilization Fund (SFSF)**

2 C.F.R. part 225, Appendix A Section C(1)(c) provides that to be allowable under Federal awards, costs must be authorized or not prohibited under State or local laws or regulations.

**Ohio Revised Code Section 3313.24(A)** requires that the board of education of each local, exempted village, of city school district shall fix the compensation of its treasurer, which shall be paid from the general fund of the district.

During the fiscal year 2010, \$16,023 of the District Treasurer’s salary and benefits was allocated as an expenditure to the State Fiscal Stabilization Grant and therefore not allowed by State and Federal guidelines.

We recommend that the District consult with their contacts at the Ohio Department of Education regarding all questionable grant expenditure prior to allocating costs to those grants.

**Official’s Response and Correction Action Plan:**

The District used the State Fiscal Stabilization Funds (SFSF) to pay for administrative salaries and benefits for FY 2010. In order to minimize the number of transactions, we charged the salary/benefits of the administrators in order to reduce the number that needed to be coded to the SFSF funds. A portion of the Treasurer’s salary was included in the list of those charged against the SFSF. As soon as the District discovered that the salary/benefits of the Treasurer could not be charged against the SFSF, the Treasurer made a correcting entry and moved those expenses back to the General Fund. The District was diligent in monitoring the communication sent out by the Ohio Department of Education and did not see any mention of the requirement that the Treasurer’s salary/benefits must be paid from the General Fund. The District later discovered that there was information posted to the Ohio Department of Education’s website that was not included in any communication sent out to the districts. The District has made the necessary changes to ensure that we are processing only allowable expenses against the SFSF funds.

**CARDINGTON LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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**Special Education Grant Cluster – Period of Availability**

<b>Finding Number</b>	2010-002
<b>CFDA Title and Number</b>	CFDA #84.027 & 84.391 Special Education Grant Cluster: Special Education Grants to States
<b>Federal Award Year</b>	2010
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance/Questioned Cost/Material Weakness**

2 CFR 215.28 states that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Additionally, under the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (also known as the A-102 Common Rule), the entity shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. Funds under ARRA and under the regular FY 2010 appropriation for this program became available for obligation on July 1, 2009. The ARRA funds will remain available for obligation by SEAs and LEAs until September 30, 2011, which includes the one-year carryover period authorized under section 421(b) of the General Education Provisions Act (Section 1603 of ARRA and 20 USC 1225(b)).

The District expended Special Education Grant Cluster ARRA monies of \$108,702 to the Mid-Ohio Educational Service Center for preschool and other professional services related to fiscal year 2009 which were obligated prior to July 1, 2009, the beginning of the grant period. These expenditures were not pre-award costs authorized by the Federal awarding agency.

Total questioned costs for expenditures obligated outside the period of availability are \$108,702 of the District's \$489,427 expended from the Special Education Grant Cluster grant for fiscal year 2010.

We recommend the District use grant funds only for expenditures obligated during the period of availability and ensure procedures are put into place to ensure costs charged to grant awards are obligations incurred within the grant funding period.

**Official's Response and Correction Action Plan:**

The District used the IDEA-B ARRA funds to pay for purchase services from Mid-Ohio Educational Service Center (MOESC) from FY09. As soon as the District discovered that the entry was outside period of availability, the Treasurer made note of the error. The District has made the necessary changes to ensure that we are processing only allowable expenses within the period of availability.

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# Dave Yost • 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  
MARCH 22, 2011