

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

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2014**



**Dave Yost • Auditor of State**



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 17 of the financial statements, the Cardington Lincoln Local Digital Academy, the District's discretely presented component unit, closed effective June 30, 2014. We did not modify our opinion regarding this matter.

As discussed in Note 18 to the financial statements, the District has suffered recurring losses from operations and has a fund balance deficiency. Note 18 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The aforementioned schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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  
Columbus, Ohio

July 29, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The management's discussion and analysis of the Cardington-Lincoln Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- In total, net position of governmental activities decreased \$1,228,239 which represents a 6.27% decrease from fiscal year 2013.
- General revenues accounted for \$9,933,734 in revenue or 80.36% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,428,121 or 19.64% of total revenues of \$12,361,855.
- The District had \$13,590,094 in expenses related to governmental activities; \$2,428,121 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 \$9,933,734 were not adequate to provide for these programs.
- The District has two major governmental funds, the general fund and the bond retirement fund. The general fund had \$10,828,366 in revenues and a special item and \$10,645,826 in expenditures. During fiscal year 2014, the general fund's fund balance increased \$182,540 from a deficit of \$545,845 to a deficit of \$363,305.
- The bond retirement fund had \$3,639,173 in revenues and other financing sources and \$3,786,800 in expenditures and other financing uses. During fiscal year 2014, the bond retirement fund's fund balance decreased \$147,627 from \$1,019,809 to \$872,182.

**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 position* 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, 2014  
(UNAUDITED)**

**Reporting the District as a Whole**

***Statement of Net Position 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 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position* and changes in net position. This change in net position 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 position 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 position and statement of activities can be found on pages 14 and 15 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 and the bond retirement fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that 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 position 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 16-20.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

***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 position and changes in fiduciary net position on pages 21 and 22. 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 23-57 of this report.

**The District as a Whole**

Recall that the statement of net position 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 position at June 30, 2014 and June 30, 2013.

	<b>Net Position</b>	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 4,435,954	\$ 4,714,931
Capital assets, net	<u>22,751,399</u>	<u>22,950,061</u>
Total assets	<u>27,187,353</u>	<u>27,664,992</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,369,464	1,282,231
Long-term liabilities	<u>5,321,272</u>	<u>4,584,937</u>
Total liabilities	<u>6,690,736</u>	<u>5,867,168</u>
<b><u>Deferred inflows of resources</u></b>		
Deferred inflows of resources	<u>2,140,526</u>	<u>2,213,494</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	18,367,622	19,537,488
Restricted	842,892	996,832
Unrestricted (deficit)	<u>(854,423)</u>	<u>(949,990)</u>
Total net position	<u>\$ 18,356,091</u>	<u>\$ 19,584,330</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$18,356,091.

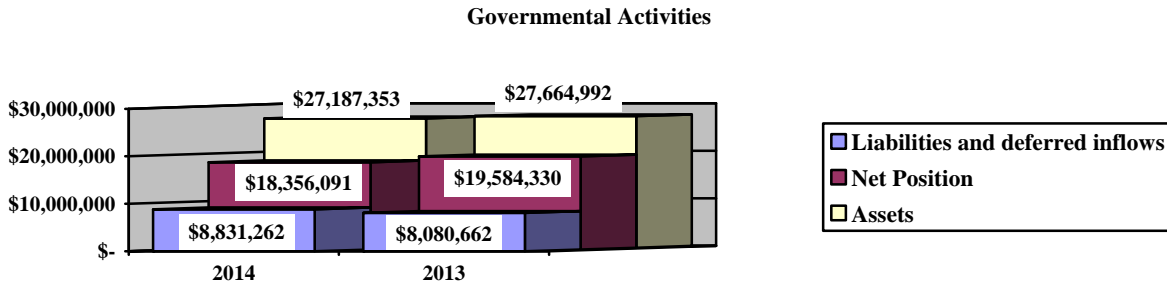
**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

At year-end, capital assets represented 83.68% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2014 was \$18,367,622. 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 position, \$842,892, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$845,423.

The graph below presents the District's assets, liabilities and deferred inflows of resources and net position at June 30, 2014 and June 30, 2013:



The table below shows the change in net position for fiscal year 2014 and 2013.

**Change in Net Position**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 854,592	\$ 929,360
Operating grants and contributions	1,573,529	1,897,429
General revenues:		
Property taxes	2,785,545	2,555,014
Income taxes	136,794	-
Grants and entitlements	6,594,756	6,242,401
Payment in lieu of taxes	179,192	174,798
Investment earnings	1,586	1,389
Miscellaneous	<u>235,861</u>	<u>94,370</u>
Total revenues	<u>12,361,855</u>	<u>11,894,761</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**Change in Net Position**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,118,010	\$ 5,522,869
Special	1,797,037	1,308,873
Vocational	193,922	238,541
Other	1,686,265	1,476,499
Support services:		
Pupil	189,023	285,996
Instructional staff	173,785	404,605
Board of education	32,054	53,359
Administration	1,066,615	1,086,678
Fiscal	308,199	306,843
Operations and maintenance	1,390,921	1,263,950
Pupil transportation	529,558	593,404
Central	-	25,701
Operations of non-instructional services:		
Food service operations	532,986	608,669
Other non-instructional services	6,435	2,461
Extracurricular activities	220,943	238,664
Interest and fiscal charges	<u>344,341</u>	<u>230,829</u>
Total expenses	<u>13,590,094</u>	<u>13,647,941</u>
Change in net position	(1,228,239)	(1,753,180)
Net position at beginning of year	<u>19,584,330</u>	<u>21,337,510</u>
Net position at end of year	<u>\$ 18,356,091</u>	<u>\$ 19,584,330</u>

**Governmental Activities**

Net position of the District's governmental activities decreased \$1,228,239. Total governmental expenses of \$13,590,094 were offset by program revenues of \$2,428,121 and general revenues of \$9,933,734. Program revenues supported 17.87% of the total governmental expenses. The decrease in operating grants and contributions is mainly due to the District no longer receiving Education Jobs grant revenues.

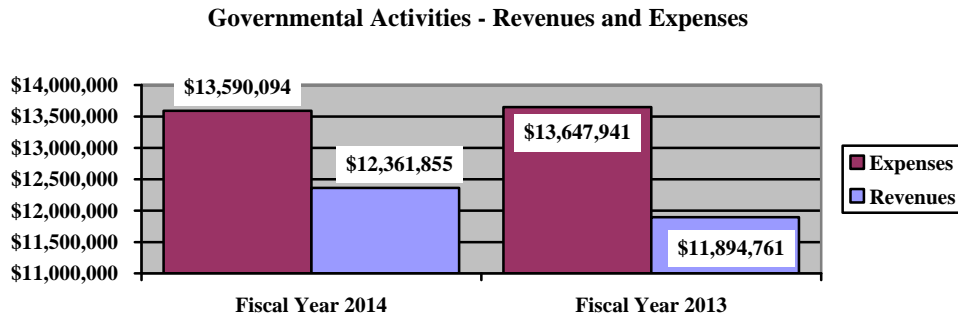
The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and unrestricted grants and entitlements. These revenue sources represent 76.99% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,759,234 or 64.72% of total governmental expenses for fiscal year 2014.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2014 and 2013:



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>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,118,010	\$ 4,419,033	\$ 5,522,869	\$ 4,755,730
Special	1,797,037	660,322	1,308,873	(94,603)
Vocational	193,922	136,734	238,541	148,679
Other	1,686,265	1,686,265	1,476,499	1,476,499
Support services:				
Pupil	189,023	189,023	285,996	285,996
Instructional staff	173,785	168,585	404,605	394,801
Board of education	32,054	32,054	53,359	53,359
Administration	1,066,615	1,052,005	1,086,678	1,061,017
Fiscal	308,199	308,199	306,843	306,843
Operations and maintenance	1,390,921	1,383,721	1,263,950	1,256,750
Pupil transportation	529,558	508,216	593,404	577,085
Central	-	-	25,701	25,701
Operations of non-instructional services:				
Food service operations	532,986	123,810	608,669	169,410
Other non-instructional services	6,435	6,435	2,461	2,461
Extracurricular activities	220,943	143,230	238,664	170,595
Interest and fiscal charges	344,341	344,341	230,829	230,829
<b>Total expenses</b>	<u>\$ 13,590,094</u>	<u>\$ 11,161,973</u>	<u>\$ 13,647,941</u>	<u>\$ 10,821,152</u>

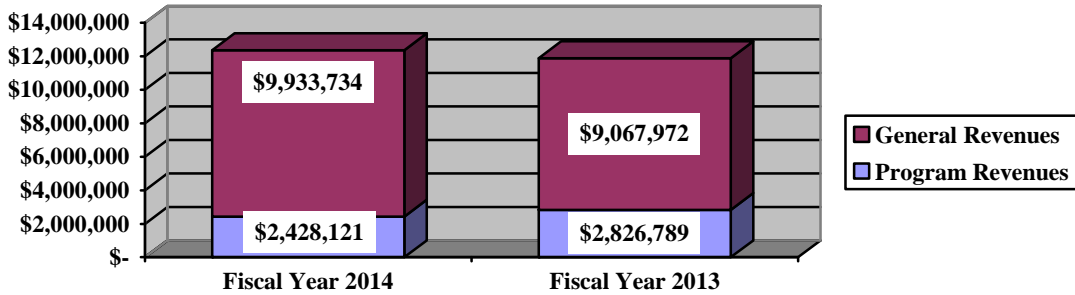
The dependence upon tax and other general revenues for governmental activities is apparent, 78.48% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenues would support 82.13% of the total expenditures. The District's taxpayers 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, 2014  
(UNAUDITED)**

The graph below presents the District's governmental activities revenue for fiscal year 2014 and 2013.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$539,538, which is less than last year's total of \$872,266. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance (Deficit) <u>June 30, 2014</u>	Fund Balance (Deficit) <u>June 30, 2013</u>	Increase/ (Decrease)	Percentage Change
General	\$ (363,305)	\$ (545,845)	\$ 182,540	33.44 %
Bond retirement	872,182	1,019,809	(147,627)	(14.48) %
Other governmental	<u>30,661</u>	<u>398,302</u>	<u>(367,641)</u>	(92.30) %
Total	<u>\$ 539,538</u>	<u>\$ 872,266</u>	<u>\$ (332,728)</u>	(38.15) %

**General Fund**

The District's general fund balance increased \$182,540. The increase can be attributed to an increase in intergovernmental revenue from the prior year as well as a decrease in support services expenditures.

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

	<u>2014</u> Amount	<u>2013</u> Amount	Increase/ (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Property taxes	\$ 2,342,604	\$ 2,170,467	\$ 172,137	7.93 %
Income taxes	106,165	-	106,165	100.00 %
Payment in lieu of taxes	179,192	174,798	4,394	2.51 %
Tuition	598,384	693,374	(94,990)	(13.70) %
Earnings on investments	1,444	1,389	55	3.96 %
Intergovernmental	7,315,449	7,121,933	193,516	2.72 %
Other revenues	<u>285,128</u>	<u>115,731</u>	<u>169,397</u>	146.37 %
Total	<u>\$ 10,828,366</u>	<u>\$ 10,277,692</u>	<u>\$ 550,674</u>	5.36 %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 7,225,062	\$ 6,843,240	\$ 381,822	5.58 %
Support services	3,280,768	3,752,467	(471,699)	(12.57) %
Non-instructional services	435	2,461	(2,026)	(82.32) %
Extracurricular activities	<u>139,561</u>	<u>149,733</u>	<u>(10,172)</u>	(6.79) %
Total	<u>\$ 10,645,826</u>	<u>\$ 10,747,901</u>	<u>\$ (102,075)</u>	(0.95) %

Overall revenues of the general fund increased \$550,674 or 5.36%. Property taxes increased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditors. The District recorded income taxes of \$106,165 during fiscal year 2014 due to the passing of the District's levy in November 2013. Tuition revenues decreased due to a decrease in open enrollment in fiscal year 2014. Other revenues and payment in lieu of taxes changed because of general variations year to year.

Overall expenditures of the general fund decreased 102,075 or 0.95%. Expenditures related to operation of non-instructional services decreased due to a decrease in supplies purchased during fiscal year 2014. Support services expenditures decreased 12.57% due to lower spending for instructional staff services.

***Bond Retirement Fund***

The District's bond retirement fund, had \$3,639,173 in revenues and other financing sources and \$3,786,800 in expenditures and other financing uses. During fiscal year 2014, the bond retirement fund's fund balance decreased \$147,627 from \$1,019,809 to \$872,182.

***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 2014, the original budgeted revenues and other financing sources of \$10,243,839 were \$528,184 less than the final budgeted revenues and other financing sources of \$10,772,023. Actual revenues and other financing sources for fiscal 2014 were \$10,713,551. This represents a \$58,472 decrease from final budgeted revenues.

General fund original appropriations and other financing uses totaled \$10,284,168, which were \$507,971 less than final appropriations and other financing uses of \$10,792,139. The actual budget basis expenditures and uses for fiscal year 2014 totaled \$10,690,299, which is \$101,840 less than the final budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the District had \$22,751,399 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The following table shows June 30, 2014 balances compared to June 30, 2013:

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

	Governmental Activities	
	2014	2013
Land	\$ 279,100	\$ 279,100
Land improvements	829,868	933,164
Building and improvements	21,338,223	21,388,800
Furniture and equipment	217,835	243,194
Vehicles	86,373	105,803
Total	\$ 22,751,399	\$ 22,950,061

The overall decrease in capital assets of \$198,662 is due to current year depreciation expense of \$1,264,585 and additions during the current year of \$1,065,923.

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

***Debt Administration***

At June 30, 2014, the District had \$4,611,329 in general obligation bonds and energy conservation bonds outstanding. Of this total, \$465,182 is due within one year and \$4,146,147 is due in more than one year.

The following table summarizes the bonds and loans outstanding:

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2014	2013
Capital appreciation bonds - series 2002	81,698	167,575
Accreted interest - series 2002	125,448	227,032
Current interest bonds - series 2003	-	2,360,000
Capital appreciation bonds - series 2003	35,265	74,998
Accreted interest - series 2003	101,090	181,914
Current interest bonds - auditorium	-	770,000
Capital appreciation bonds - auditorium	40,000	40,000
Accreted interest - auditorium	97,828	81,789
Current interest bonds - series 2014 refunding	3,080,000	-
HB264 Energy Conservation Bonds	1,050,000	-
Total	\$ 4,611,329	\$ 3,903,308

At June 30, 2014, the District's voted debt margin was \$8,712,245 and the unvoted debt margin was \$123,078.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

Funding

The District received 66% of its operating revenues through the state foundation formula for school funding. The state's biennium for fiscal year 2014 will provide funding to the District as unrestricted funds and restricted funds. From 1998 to 2013, local property values have increased \$38,930,016. This increase represents a shift in revenues to the District of less state funding and more local dependence on property tax collections. There has also been a significant shift of valuation from Commercial/Industrial to Residential/Agriculture due to the change in law regarding the valuation of CAUV agriculture valuations. The District voters did approve a new earned income tax of .75% in November 2013. When at full collection, it is anticipated to generate over \$775,000 per year for operating expenditures. Prior to the .75% Earned Income tax approved in November 2013, the District's last levy that provided additional operating funds to the District was passed in 1986.

Budget

70% of the general fund budget is expended for employee wages and fringe benefits. The District also contracts for some personal services through purchased services contracts that are in addition to the wages and fringe benefits costs. 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 7%. However, the unknown nature of the insurance industry and the Affordable Health Care Act makes us very cautious when planning for the future. During fiscal year 2013, the District enacted a reduction-in-force of employees to maintain a projected positive cash balance for fiscal year ending 2014. These reductions of expenditures included staff wages and related fringe benefits as well as reductions to supplies and capital expenditures. Also part of this reduction was the closing of one of the District's school buildings, the Intermediate Building. There are no current plans to reopen this building at this time.

**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. Scott Osborne, Cardington-Lincoln Local School District, 121 Nichols Street, Cardington, Ohio 43315-1121.

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

**STATEMENT OF NET POSITION  
JUNE 30, 2014**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Cardington-Lincoln Local Digital Academy</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 1,165,852	\$ 174,450
Receivables:		
Property taxes . . . . .	2,889,366	
Income taxes. . . . .	106,488	
Payment in lieu of taxes . . . . .	179,192	
Accounts. . . . .	1,130	
Intergovernmental . . . . .	87,261	9,187
Materials and supplies inventory. . . . .	6,665	
Capital assets:		
Nondepreciable capital assets . . . . .	279,100	
Depreciable capital assets, net. . . . .	22,472,299	
Capital assets, net . . . . .	22,751,399	-
Total assets. . . . .	27,187,353	183,637
<b>Liabilities:</b>		
Accounts payable. . . . .	244,034	372
Accrued wages and benefits payable . . . . .	909,614	
Pension obligation payable. . . . .	166,524	
Intergovernmental payable . . . . .	40,934	4,891
Accrued interest payable . . . . .	8,358	
Long-term liabilities:		
Due within one year. . . . .	523,588	
Due in more than one year. . . . .	4,797,684	
Total liabilities . . . . .	6,690,736	5,263
<b>Deferred inflows of resources:</b>		
Property taxes levied for the next fiscal year. . . . .	1,961,334	
PILOTs levied for subsequent year . . . . .	179,192	
Total deferred inflows of resources . . . . .	2,140,526	-
<b>Net position:</b>		
Net investment in capital assets . . . . .	18,367,622	
Restricted for:		
Classroom facilities maintenance . . . . .	220,797	
Debt service. . . . .	578,260	
Federally funded programs . . . . .	5,679	
Student activities . . . . .	38,156	
Unrestricted (deficit) . . . . .	(854,423)	178,374
Total net position. . . . .	\$ 18,356,091	\$ 178,374

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, 2014**

			<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>	
					<b>Primary</b>	<b>Component</b>
					<b>Governmental</b>	<b>Unit</b>
<b>Expenses</b>	<b>Charges for</b>	<b>Operating Grants</b>	<b>Governmental</b>	<b>Cardington-Lincoln</b>		
	<b>Services and Sales</b>	<b>and Contributions</b>	<b>Activities</b>	<b>Local Digital Academy</b>		
<b>Governmental activities:</b>						
Instruction:						
Regular . . . . .	\$ 5,118,010	\$ 633,897	\$ 65,080	\$ (4,419,033)	\$ -	-
Special . . . . .	1,797,037	-	1,136,715	(660,322)	-	-
Vocational . . . . .	193,922	-	57,188	(136,734)	-	-
Other . . . . .	1,686,265	-	-	(1,686,265)	-	-
Support services:						
Pupil . . . . .	189,023	-	-	(189,023)	-	-
Instructional staff . . . . .	173,785	-	5,200	(168,585)	-	-
Board of education . . . . .	32,054	-	-	(32,054)	-	-
Administration . . . . .	1,066,615	14,610	-	(1,052,005)	-	-
Fiscal . . . . .	308,199	-	-	(308,199)	-	-
Operations and maintenance . . . . .	1,390,921	-	7,200	(1,383,721)	-	-
Pupil transportation . . . . .	529,558	-	21,342	(508,216)	-	-
Operation of non-instructional services:						
Other non-instructional services . . . . .	6,435	-	-	(6,435)	-	-
Food service operations . . . . .	532,986	129,051	280,125	(123,810)	-	-
Extracurricular activities . . . . .	220,943	77,034	679	(143,230)	-	-
Interest and fiscal charges . . . . .	344,341	-	-	(344,341)	-	-
<b>Total governmental activities . . . . .</b>	<b>\$ 13,590,094</b>	<b>\$ 854,592</b>	<b>\$ 1,573,529</b>	<b>(11,161,973)</b>	<b>-</b>	<b>-</b>
<b>Component unit:</b>						
Cardington-Lincoln						
Local Digital Academy . . . . .	\$ 364,994	\$ -	\$ 49,646	-	-	(315,348)
<b>Total component unit . . . . .</b>	<b>\$ 364,994</b>	<b>\$ -</b>	<b>\$ 49,646</b>	<b>-</b>	<b>-</b>	<b>(315,348)</b>
<b>General revenues:</b>						
Property taxes levied for:						
General purposes . . . . .				2,331,238	-	-
Special revenue . . . . .				51,087	-	-
Debt service . . . . .				403,220	-	-
Payments in lieu of taxes . . . . .				179,192	-	-
Income taxes levied for:						
General purposes . . . . .				136,794	-	-
Grants and entitlements not restricted						
to specific programs . . . . .				6,594,756	197,077	
Investment earnings . . . . .				1,586	81	
Miscellaneous . . . . .				235,861	32,311	
<b>Total general revenues . . . . .</b>				<b>9,933,734</b>	<b>229,469</b>	
Change in net position . . . . .				(1,228,239)	(85,879)	
<b>Net position at beginning of year . . . . .</b>				<b>19,584,330</b>	<b>264,253</b>	
<b>Net position at end of year . . . . .</b>				<b>\$ 18,356,091</b>	<b>\$ 178,374</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 75,049	\$ 774,111	\$ 316,692	\$ 1,165,852
Receivables:				
Property taxes. . . . .	2,388,808	426,752	73,806	2,889,366
Income taxes . . . . .	106,488	-	-	106,488
Payment in lieu of taxes . . . . .	179,192	-	-	179,192
Accounts . . . . .	1,130	-	-	1,130
Interfund loans . . . . .	47,095	-	-	47,095
Intergovernmental. . . . .	52,230	-	35,031	87,261
Materials and supplies inventory. . . . .	-	-	6,665	6,665
Due from other funds . . . . .	34,883	-	-	34,883
Total assets . . . . .	<u>\$ 2,884,875</u>	<u>\$ 1,200,863</u>	<u>\$ 432,194</u>	<u>\$ 4,517,932</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 139,192	\$ -	\$ 104,842	\$ 244,034
Accrued wages and benefits payable . . . . .	798,718	-	110,896	909,614
Compensated absences payable . . . . .	14,318	-	-	14,318
Interfund loans payable. . . . .	-	-	47,095	47,095
Intergovernmental payable . . . . .	36,341	-	4,593	40,934
Pension obligation payable . . . . .	160,010	-	6,514	166,524
Due to other funds . . . . .	-	-	34,883	34,883
Total liabilities. . . . .	<u>1,148,579</u>	<u>-</u>	<u>308,823</u>	<u>1,457,402</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	1,620,419	289,879	51,036	1,961,334
Delinquent property tax revenue not available. . . . .	217,178	38,802	6,643	262,623
Income tax revenue not available . . . . .	30,629	-	-	30,629
PILOTs levied for subsequent year. . . . .	179,192	-	-	179,192
Intergovernmental revenue not available. . . . .	52,183	-	35,031	87,214
Total deferred inflows of resources. . . . .	<u>2,099,601</u>	<u>328,681</u>	<u>92,710</u>	<u>2,520,992</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	-	-	6,665	6,665
Restricted:				
Debt service . . . . .	-	872,182	-	872,182
Classroom facilities maintenance . . . . .	-	-	214,154	214,154
Extracurricular . . . . .	-	-	38,156	38,156
Committed:				
Capital improvements . . . . .	-	-	20,837	20,837
Assigned:				
Student and staff support. . . . .	23,636	-	-	23,636
Other purposes. . . . .	5,274	-	-	5,274
Unassigned (deficit) . . . . .	(392,215)	-	(249,151)	(641,366)
Total fund balances (deficit) . . . . .	<u>(363,305)</u>	<u>872,182</u>	<u>30,661</u>	<u>539,538</u>
Total liabilities, deferred inflows and fund balances .	<u>\$ 2,884,875</u>	<u>\$ 1,200,863</u>	<u>\$ 432,194</u>	<u>\$ 4,517,932</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 POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014**

<b>Total governmental fund balances</b>		<b>\$ 539,538</b>
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,751,399
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.		
Property taxes receivable	\$ 262,623	
Income taxes receivable	30,629	
Intergovernmental receivable	87,214	
Total	380,466	380,466
Unamortized premiums on bonds issued are not recognized in the funds.		(96,814)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(8,358)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	3,561,329	
Energy conservation bonds	1,050,000	
Compensated absences	598,811	
Total	(5,210,140)	(5,210,140)
<b>Net position of governmental activities</b>		<b>\$ 18,356,091</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,342,604	\$ 404,431	\$ 48,663	\$ 2,795,698
Income taxes . . . . .	106,165	-	-	106,165
Payment in lieu of taxes . . . . .	179,192	-	-	179,192
Tuition . . . . .	598,384	-	-	598,384
Earnings on investments . . . . .	1,444	-	142	1,586
Charges for services . . . . .	-	-	129,051	129,051
Extracurricular . . . . .	14,610	-	77,034	91,644
Rental income . . . . .	5,992	-	-	5,992
Contributions and donations . . . . .	272	-	2,876	3,148
Other local revenues . . . . .	264,254	-	4,923	269,177
Intergovernmental - state . . . . .	7,249,881	57,221	17,418	7,324,520
Intergovernmental - federal . . . . .	65,568	-	765,944	831,512
Total revenues . . . . .	<u>10,828,366</u>	<u>461,652</u>	<u>1,046,051</u>	<u>12,336,069</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,097,523	-	57,830	4,155,353
Special . . . . .	1,271,120	-	500,779	1,771,899
Vocational . . . . .	170,154	-	4,103	174,257
Other . . . . .	1,686,265	-	-	1,686,265
Support services:				
Pupil . . . . .	187,394	-	-	187,394
Instructional staff . . . . .	122,391	-	7,634	130,025
Board of education . . . . .	32,054	-	-	32,054
Administration . . . . .	1,036,719	-	-	1,036,719
Fiscal . . . . .	298,153	12,570	1,341	312,064
Operations and maintenance . . . . .	1,094,219	-	258,830	1,353,049
Pupil transportation . . . . .	509,838	-	-	509,838
Operation of non-instructional services:				
Other non-instructional services . . . . .	435	-	6,000	6,435
Food service operations . . . . .	-	-	452,352	452,352
Extracurricular activities . . . . .	139,561	-	75,339	214,900
Facilities acquisition and construction . . . . .	-	-	1,095,649	1,095,649
Debt service:				
Principal retirement . . . . .	-	431,165	-	431,165
Interest and fiscal charges . . . . .	-	165,544	-	165,544
Bond issuance costs . . . . .	-	97,521	30,000	127,521
Total expenditures . . . . .	<u>10,645,826</u>	<u>706,800</u>	<u>2,489,857</u>	<u>13,842,483</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>182,540</u>	<u>(245,148)</u>	<u>(1,443,806)</u>	<u>(1,506,414)</u>
<b>Other financing sources (uses):</b>				
Premium on sale of refunding bonds . . . . .	-	97,521	-	97,521
Sale of refunding bonds . . . . .	-	3,080,000	-	3,080,000
Sale of bonds . . . . .	-	-	1,076,165	1,076,165
Payment to refunded bond escrow agent . . . . .	-	(3,080,000)	-	(3,080,000)
Total other financing sources (uses) . . . . .	<u>-</u>	<u>97,521</u>	<u>1,076,165</u>	<u>1,173,686</u>
Net change in fund balances . . . . .	182,540	(147,627)	(367,641)	(332,728)
<b>Fund balances (deficit) at beginning of year</b>	<u>(545,845)</u>	<u>1,019,809</u>	<u>398,302</u>	<u>872,266</u>
<b>Fund balances (deficit) at end of year</b>	<u>\$ (363,305)</u>	<u>\$ 872,182</u>	<u>\$ 30,661</u>	<u>\$ 539,538</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, 2014**

**Net change in fund balances - total governmental funds** \$ (332,728)

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

Governmental 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.

Capital asset additions	\$ 1,065,923	
Current year depreciation	(1,264,585)	
<b>Total</b>	<b>(198,662)</b>	<b>(198,662)</b>

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

Property taxes	(10,153)	
Income taxes	30,629	
Intergovernmental	21,989	
<b>Total</b>	<b>42,465</b>	<b>42,465</b>

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:

431,165

The issuance of bond is recorded as an other financing source in the funds; however, in the statement of activities, it is not reported as an other financing source as it increases liabilities on the statement of net position.

Energy conservation bonds	(1,076,165)	
Refunding bonds	(3,080,000)	
<b>Total</b>	<b>(4,156,165)</b>	<b>(4,156,165)</b>

The premium on bonds issued is reported as an other financing source in the funds; however, it is amortized over the life of the debt in the statement of activities.

(97,521)

Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position.

3,080,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	11,038	
Accreted interest on capital appreciation bonds	(63,021)	
Amortization of bond premiums	707	
<b>Total</b>	<b>(51,276)</b>	<b>(51,276)</b>

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.

54,483

**Change in net position of governmental activities** **\$ (1,228,239)**

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, 2014**

	<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:				
Property taxes . . . . .	\$ 2,172,399	\$ 2,229,161	\$ 2,261,406	\$ 32,245
Income taxes . . . . .	29,113	40,306	30,306	(10,000)
Tuition . . . . .	574,832	619,000	598,384	(20,616)
Earnings on investments . . . . .	1,267	1,250	1,319	69
Rental income . . . . .	5,756	6,000	5,992	(8)
Other local revenues . . . . .	432,956	465,603	450,695	(14,908)
Intergovernmental - state . . . . .	6,964,529	7,299,825	7,249,881	(49,944)
Intergovernmental - federal . . . . .	62,987	60,878	65,568	4,690
Total revenues . . . . .	<u>10,243,839</u>	<u>10,722,023</u>	<u>10,663,551</u>	<u>(58,472)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,218,677	4,405,406	4,164,076	241,330
Special . . . . .	1,037,669	1,074,954	1,189,645	(114,691)
Vocational . . . . .	196,855	198,650	190,586	8,064
Other . . . . .	1,512,450	1,621,423	1,666,538	(45,115)
Support services:				
Pupil . . . . .	195,930	203,772	195,843	7,929
Instructional staff . . . . .	99,142	100,808	131,390	(30,582)
Board of education . . . . .	21,435	21,795	31,095	(9,300)
Administration . . . . .	850,487	873,205	1,009,568	(136,363)
Fiscal . . . . .	328,129	333,645	296,697	36,948
Operations and maintenance . . . . .	1,112,667	1,131,369	1,071,170	60,199
Pupil transportation . . . . .	499,092	507,481	539,405	(31,924)
Other operation of non-instructional services . . . . .	3,595	3,655	435	3,220
Extracurricular activities . . . . .	156,684	159,317	148,414	10,903
Total expenditures . . . . .	<u>10,232,812</u>	<u>10,635,480</u>	<u>10,634,862</u>	<u>618</u>
Excess of revenues over expenditures . . . . .	<u>11,027</u>	<u>86,543</u>	<u>28,689</u>	<u>(57,854)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's receipts . . . . .	-	-	(8,342)	(8,342)
Transfers (out) . . . . .	(25,678)	(130,549)	-	130,549
Advances in . . . . .	-	50,000	50,000	-
Advances (out) . . . . .	(25,678)	(26,110)	(47,095)	(20,985)
Total other financing sources (uses) . . . . .	<u>(51,356)</u>	<u>(106,659)</u>	<u>(5,437)</u>	<u>101,222</u>
Net change in fund balance . . . . .	(40,329)	(20,116)	23,252	43,368
<b>Fund balance at beginning of year . . . . .</b>	<b>12,081</b>	<b>12,081</b>	<b>12,081</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>28,250</b>	<b>28,250</b>	<b>28,250</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 2</b>	<b>\$ 20,215</b>	<b>\$ 63,583</b>	<b>\$ 43,368</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014**

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 48,243	\$ 37,150
Total assets. . . . .	48,243	\$ 37,150
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 37,150
Total liabilities . . . . .	-	\$ 37,150
<b>Net position:</b>		
Held in trust for scholarships . . . . .	48,243	
Total net position. . . . .	\$ 48,243	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 117
Gifts and contributions. . . . .	13,830
Total additions. . . . .	13,947
<b>Deductions:</b>	
Scholarships awarded . . . . .	16,200
Change in net position . . . . .	(2,253)
<b>Net position at beginning of year. . . . .</b>	<b>50,496</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 48,243</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, 2014**

**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 currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 46 non-certified, 71 certified employees and 6 administrators to provide services to approximately 1,171 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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". 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 government's 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, 2014  
(Continued)**

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

**A. Reporting Entity (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, Scott Osborne at 121 Nichols Street, Cardington, Ohio 43315-1121.

*JOINTLY GOVERNED ORGANIZATIONS*

Tri-Rivers Educational Computer Association (TRECA)

TRECA is a jointly governed organization among 36 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, Chief Executive Officer, at 100 Executive Drive, Marion, Ohio 43302. During fiscal year 2014, the District paid \$34,185 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, one representative from the Mid-Ohio Educational Service Center and three representatives from the North Central Ohio Educational Service Center. The Center Board of Education possesses its own budgeting and taxing authority. Financial information is available from Steve Earnest, Treasurer, at 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**A. Reporting Entity (Continued)**

Cardington-Lincoln 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 10, Cardington, Ohio 43315.

*RELATED ORGANIZATION*

Cardington-Lincoln School District Public Library

The Cardington-Lincoln School District 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 128 East Main 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**B. Fund Accounting – (Continued)**

The following are the District's major governmental funds:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. 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 position 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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**C. Basis of Presentation and Measurement Focus – (Continued)**

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

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

**D. Basis of Accounting**

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

Revenues - Exchange and 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**D. Basis of Accounting – (Continued)**

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.

*Deferred Inflows of Resources and Deferred Outflows of Resources* - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2014 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 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**E. Budgets– (Continued)**

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 July 1, 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 2014.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund budgetary statement comparison at the fund and function level. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2014. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**F. Cash and Investments – (Continued)**

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 2014 amounted to \$1,444, which includes \$1,327 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents.

**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 nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

**H. Capital Assets**

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**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 position. On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". These amounts are eliminated in the governmental activities column on the statement of net position.

**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, 2014, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**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**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**L. Fund Balance – (Continued)**

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**M. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Prepayments**

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

**O. Estimates**

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

**P. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**Q. Unamortized Bond Premiums**

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On the government fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.

**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 2014, the District reported a special item for the net position transferred to the District upon dissolution of the Cardington-Lincoln Local Digital Academy community school which was a component unit of the District. The difference between the special item gain reported by the District and the special item loss reported by the component unit is due to a difference in the capitalization threshold for reporting capital assets. Assets transferred from the component unit that do not meet the District's capitalization threshold are excluded from the special item for the District. See Note 17 for further detail on the transactions related to the dissolution of the District's component unit.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Major funds</u>	<u>Deficit</u>
General	\$ 363,305
 <u>Nonmajor funds</u>	
Food service	124,811
James trust	190
Other grant funds	36
Vocational education enhancement	6,013
Race to the top	5,341
IDEA Part-B	54,030
Title I	34,895
IDEA preschool grant for the handicapped	1,089
Improving teacher quality	16,081

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted 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.

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;

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

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.

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. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$1,251,245. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$1,038,409 of the District's bank balance of \$1,288,409 was exposed to custodial credit risk as discussed below, while \$250,000 was covered by the FDIC.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**A. Deposits with Financial Institutions – (Continued)**

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

**B. Reconciliation of Cash and Investments to the Statement of Net Position**

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 position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,251,245
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 1,165,852
Private-purpose trust funds	48,243
Agency funds	<u>37,150</u>
Total	<u>\$ 1,251,245</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund balances consisted of the following at June 30, 2014, as reported as due to/from other funds on the governmental fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 34,883</u>

The primary purpose of the interfund balances is to cover negative cash balances in the nonmajor governmental funds. These negative balances are allowable under Ohio Revised Code Section 3315.20. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 5 - INTERFUND TRANSACTIONS – (Continued)**

B. Interfund loans receivable/payable consisted of the following at June 30, 2014, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 47,095</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund loans between governmental funds are eliminated for reporting in the statement of net position.

**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 and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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.

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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$551,211 in the general fund, \$98,071 in the bond retirement fund and \$16,127 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$470,013 in the general fund, \$81,976 in the bond retirement fund and \$8,676 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 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 deferred inflows.

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 reported as a deferred inflow.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 114,823,540	96.02	\$ 117,994,410	95.87
Public utility personal	<u>4,762,380</u>	<u>3.98</u>	<u>5,083,660</u>	<u>4.13</u>
Total	<u>\$ 119,585,920</u>	<u>100.00</u>	<u>\$ 123,078,070</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$31.19		\$31.19	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 consisted of property taxes, income taxes, payment in lieu of taxes, accounts, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

**Governmental activities:**

Property taxes	\$ 2,889,366
Income taxes	106,488
Payment in lieu of taxes	179,192
Accounts	1,130
Intergovernmental	<u>87,261</u>
Total	<u>\$ 3,263,437</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/14</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	35,257,449	1,065,923	-	36,323,372
Furniture and equipment	738,035	-	-	738,035
Vehicles	984,600	-	-	984,600
Total capital assets, being depreciated	<u>39,312,190</u>	<u>1,065,923</u>	<u>-</u>	<u>40,378,113</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,398,942)	(103,296)	-	(1,502,238)
Buildings and improvements	(13,868,649)	(1,116,500)	-	(14,985,149)
Furniture and equipment	(494,841)	(25,359)	-	(520,200)
Vehicles	(878,797)	(19,430)	-	(898,227)
Total accumulated depreciation	<u>(16,641,229)</u>	<u>(1,264,585)</u>	<u>-</u>	<u>(17,905,814)</u>
Governmental activities capital assets, net	<u>\$ 22,950,061</u>	<u>\$ (198,662)</u>	<u>\$ -</u>	<u>\$ 22,751,399</u>

The District's Intermediate School was closed for the 2013-2014 school year. It is management's intent to re-open this school building. See Note 19.

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,001,211
Special	39,362
Vocational	31,145
<u>Support services:</u>	
Instructional staff	44,001
Administration	28,906
Fiscal	1,001
Operations and maintenance	13,449
Pupil transportation	19,430
Extracurricular activities	6,224
Food service operation	79,856
Total depreciation expense	<u>\$ 1,264,585</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 9 - LONG-TERM OBLIGATIONS**

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

During fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance 06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/14</u>	<u>Amounts Due in One Year</u>
<b>Governmental activities:</b>						
<u>G.O. Bond - Series 2002</u>						
Capital appreciation bonds		\$ 167,575	\$ -	\$ (85,877)	\$ 81,698	\$ 81,698
Accreted interest		227,032	22,539	(124,123)	125,448	125,448
<u>G.O. Bond - Series 2003</u>						
Current interest	1.25-4.75%	2,360,000	-	(2,360,000)	-	-
Capital appreciation bonds		74,998	-	(39,733)	35,265	35,265
Accreted interest		181,914	24,443	(105,267)	101,090	101,090
<u>G.O. Bond - Auditorium</u>						
Current interest	1.50-4.13%	770,000	-	(770,000)	-	-
Capital appreciation bonds		40,000	-	-	40,000	14,884
Accreted interest		81,789	16,039	-	97,828	36,797
<u>G.O. Bond - Series 2014 Refunding</u>						
Current interest	1.50-3.00%	-	3,080,000	-	3,080,000	10,000
Total general obligation bonds payable		<u>3,903,308</u>	<u>3,143,021</u>	<u>(3,485,000)</u>	<u>3,561,329</u>	<u>405,182</u>
<u>Other long-term obligations:</u>						
Energy conservation bond	2.75%	-	1,076,165	(26,165)	1,050,000	60,000
Compensated absences		681,629	44,088	(112,588)	613,129	58,406
Total other long-term obligations		<u>681,629</u>	<u>1,120,253</u>	<u>(138,753)</u>	<u>1,663,129</u>	<u>118,406</u>
Total governmental activities		<u>\$ 4,584,937</u>	<u>\$ 4,263,274</u>	<u>\$ (3,623,753)</u>	5,224,458	<u>\$ 523,588</u>
			Add: unamortized premium on bonds		96,814	
			Total on statement of net position		<u>\$ 5,321,272</u>	

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**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 position. 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 ranged from 2.40% to 4.15%. There are no further obligations outstanding on the current interest bonds. The remaining capital appreciation bonds mature on 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 remaining capital appreciation bonds is \$215,000. Total accreted interest of \$125,448 has been included in the statement of net position at June 30, 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 remaining capital appreciation bonds mature December 1, 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 remaining capital appreciation bonds is \$145,000. Total accreted interest of \$101,090 has been included in the statement of net position at June 30, 2014.

On May 28, 2014, the District issued \$3,080,000 in general obligation bonds (Series 2014 Refunding Bonds) to currently refund all of the current interest bonds outstanding.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**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 \$97,828 has been included in the statement of net position at June 30, 2014.

The District made a \$50,000 principal payment on the current interest bonds during fiscal year 2014. On May 28, 2014, the District issued \$3,080,000 (Series 2014 Refunding Bonds) to currently refund all of the remaining current interest bonds outstanding.

Series 2014 Refunding Bonds

On May 28, 2014, the District issued general obligation bonds to currently refund the current interest bonds outstanding of the Series 2003 general obligation bonds and the auditorium bonds.

At June 30, 2014, the refunding issue is comprised of current interest bonds, par value \$3,080,000. The interest rate on the current interest bonds ranges from 1.50-3.00%. Interest payments on the current interest bonds are due June 1 and December 1 each year. The final maturity state on the issue is December 1, 2026.

This current refunding was undertaken to reduce total debt service payments over the next 12 years by \$445,917 and resulted in an economic gain of \$392,768.

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
2015	\$ 10,000	\$ 74,189	\$ 84,189	\$ 131,847	\$ 283,153	\$ 415,000
2016	180,000	72,150	252,150	13,275	41,725	55,000
2017	180,000	69,450	249,450	11,841	43,159	55,000
2018	250,000	66,225	316,225	-	-	-
2019	260,000	61,750	321,750	-	-	-
2020 - 2024	1,445,000	216,150	1,661,150	-	-	-
2025 - 2027	755,000	26,775	781,775	-	-	-
<b>Total</b>	<b>\$ 3,080,000</b>	<b>\$ 586,689</b>	<b>\$ 3,666,689</b>	<b>\$ 156,963</b>	<b>\$ 368,037</b>	<b>\$ 525,000</b>

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Energy Conservation Bonds**

On July 2, 2013, the District issued \$1,076,165 in energy conservation bonds for energy improvements to all existing buildings. The bonds bear an interest rate of 2.75%. The bonds were issued for a 15 year period, with final maturity on December 1, 2027. The bonds are being retired from the bond retirement fund.

The following is a summary of the future annual requirements to maturity for energy conservation bonds:

Fiscal Year Ending June 30,	Energy Conservation Bonds		
	Principal	Interest	Total
2015	\$ 60,000	\$ 28,050	\$ 88,050
2016	65,000	26,331	91,331
2017	65,000	24,543	89,543
2018	70,000	22,688	92,688
2019	70,000	20,762	90,762
2020 - 2024	380,000	73,563	453,563
2025 - 2028	<u>340,000</u>	<u>19,112</u>	<u>359,112</u>
Total	<u>\$ 1,050,000</u>	<u>\$ 215,049</u>	<u>\$ 1,265,049</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, 2014, are a voted debt margin of \$8,712,245 (including available funds of \$872,182) and an unvoted debt margin of \$123,078.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**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 2014, the District was insured by Caitlin Indemnity Company. 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)	\$46,298,977
Equipment Breakdown (\$1,000 deductible)	\$200,000
Inland Marine (\$500 deductible)	
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 Workers' Compensation Group Rating Plan**

For fiscal year 2014, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

**C. Group Health and Dental Insurance**

The District offers group life insurance and accidental death and dismemberment insurance to all employees through United Health Specialties 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.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 10 - RISK MANAGEMENT - (Continued)**

**C. Group Health and Dental Insurance – (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 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 14 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 and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$160,509, \$179,069 and \$170,389, respectively; 76.77 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 11 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio – (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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$570,497, \$661,798 and \$618,294, respectively; 84.63 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$43,540 made by the District and \$34,210 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, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**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 Section 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$24,433, \$22,170 and \$29,164, respectively; 76.77 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**A. School Employees Retirement System – (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$9,312, \$10,115 and \$10,062, respectively; 76.77 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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), under "Publications" 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 2014, 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, 2014, 2013 and 2012 were \$43,884, \$50,908 and \$47,561, respectively; 84.63 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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 and disbursements.

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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 fund</u>
Budget basis	\$ 23,252
Net adjustment for revenue accruals	149,855
Net adjustment for expenditure accruals	(8,482)
Net adjustment for other financing sources/(uses)	5,437
Funds budgeted elsewhere	(4,961)
Adjustment for encumbrances	17,439
GAAP basis	\$ 182,540

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the flower trust fund and the public school support fund.

**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.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 15 - STATUTORY RESERVES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	185,564
Current year offsets	(47,054)
Prior year offset from bond proceeds	<u>(138,510)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

The District had current year offsets that reduced the capital improvements set-aside amount to zero. During fiscal years 2002 and 2003, the District issued a total of \$6,595,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$5,638,179 at June 30, 2014.

**NOTE 16 - COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 19,382
Nonmajor governmental funds	<u>106,347</u>
Total	<u>\$ 125,729</u>

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 17 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**

The Cardington-Lincoln Local Digital Academy (the "Academy") was a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy was 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 was 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 was 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 were not available locally, and other, including home-schooled students who were not currently enrolled in any public school and who were not receiving a meaningful, comprehensive, and standards-based educational program. The Academy, which was part of the State's education program, was nonsectarian in its programs, admissions policies, employment practices and all other operations. The Academy could acquire facilities as needed and contract for any services necessary for the operation of the school.

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. On June 10, 2013, the Academy entered into a new 5 year sponsorship agreement with the Sponsor. The Sponsor was responsible for evaluating the performance of the Academy and had the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. On June 30, 2014, the Academy ceased operations (see Note 17.N).

The Academy operated 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 was a component unit of the Cardington-Lincoln Local School District. The Board of Directors was responsible for carrying out the provisions of the contract which included, but were 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 was also the Treasurer of the Academy.

The Board of Directors 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 17.J).

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's significant accounting policies are described below.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 17 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY - (Continued)**

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

**B. Measurement Focus and Basis of Accounting**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources are included on the statement of net position. Statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 required a detailed school budget for each year of the contract; however, the budget did not have to follow the provisions of Ohio Revised Code Section 5705.

**D. Cash**

All monies received by the Academy were deposited in a demand deposit account.

**E. Capital Assets and Depreciation**

All capital assets were capitalized at cost and updated for additions and reductions during the year. Donated capital assets were recorded at their fair market value on the date donated. The Academy maintained a capitalization threshold of \$500. The Academy did not have any infrastructure. Improvements were 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 were expensed.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 17 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY - (Continued)**

**E. Capital Assets and Depreciation – (Continued)**

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

In accordance with the Sponsorship Contract, the Academy transferred all capital assets, net of accumulated depreciation, to the Sponsor on June 30, 2014.

**F. Intergovernmental Revenue**

The Academy currently participates in the IDEA Part B Grant, Rural Education Achievement Program Grant (REAP) and the State Foundation Program. Grants and entitlements were recognized as non-operating revenues in the accounting period in which all eligibility requirements had been met. Eligibility requirements included 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 was required to provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources were provided to the Academy on a reimbursement basis. Revenues received from the State Foundation Program were recognized as operating revenues.

**G. 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.

**H. Deposits**

All monies received by the Academy were deposited in a demand deposit account. Based on the criteria discussed in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, the Academy's bank balance of \$183,625 was covered by the FDIC. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

The Academy had no investments.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 17 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY - (Continued)**

**I. Capital Assets**

	<u>Balance</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Transfer</u> <u>of Assets</u> <u>to Sponsor</u>	<u>Balance</u> <u>6/30/2014</u>
Equipment	\$ 159,220	\$ -	\$ (159,220)	\$ -
Less: accumulated depreciation	<u>(138,219)</u>	<u>(9,800)</u>	<u>148,019</u>	<u>-</u>
Net capital assets	<u>\$ 21,001</u>	<u>\$ (9,800)</u>	<u>\$ (11,201)</u>	<u>\$ -</u>

In accordance with the Sponsorship Contract and as discussed in Note 17.N, the Academy transferred all capital assets, net of accumulated depreciation, to the Sponsor on June 30, 2014.

**J. Service Agreements**

**Tri-Rivers Educational Computer Association**

The Academy entered into a one-year agreement with Tri-Rivers Educational Computer Association (“TRECA”) for planning, instructional, administrative and technical services required for the operation of the Academy for fiscal year 2014. Under the contract, TRECA was 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 was required to pay the following fees to TRECA:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

**NOTE 17 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY - (Continued)**

**J. Service Agreements – (Continued)**

**Tri-Rivers Educational Computer Association – (Continued)**

Enrollment - \$3,910 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**

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 2014. 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 2014 from the Academy to Cardington-Lincoln Local School District:

Administrative services	\$ 48,350
Professional services	117,572
Materials and supplies	3,060
Other purposes	<u>6,351</u>
Total amount of payments made by the Academy to Cardington-Lincoln Local School District for fiscal year 2014	<u>\$ 175,333</u>

**K. Risk Management**

The Academy was 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 2014, 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.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 17 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY - (Continued)**

**L. Contingencies**

**Grants**

The Academy received 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 Academy. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Academy.

**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.

**State Foundation Funding**

The Ohio Department of Education (ODE) 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. As a result of the review after fiscal year-end, the Academy owed ODE \$287.

**M. Purchased Services**

For fiscal year ended June 30, 2014, purchased services expenses were as follows:

Professional and technical services	<u>\$ 323,754</u>
-------------------------------------	-------------------

**N. Continued Existence**

Due to a lack of grant funding and the expectations of the operation of the Academy that would have resulted in the ineffective spending and an overuse of personnel, the Academy ceased operations as of June 30, 2014 upon the expiration of the Sponsorship Contract.

In accordance with the Sponsorship Contract, upon dissolution, any remaining assets and liabilities of the Academy are to be conveyed in accordance with Ohio Revised Code Sections 3314.015 and 3314.074 and the Ohio Department of Education Community School Closing Procedure Assurances. On June 30, 2014, the Academy transferred the capital assets to the Cardington-Lincoln Local School District.

All remaining assets and liabilities of the Academy have been reported on the Statement of Net Position to reflect the amounts to be collected and owed as of the date of closure. The Academy's Sponsor, Cardington-Lincoln Local School District administered the close out procedures of the Academy. Below are related close out expenses that were incurred between June 30, 2014 and the date of this report.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 17 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY - (Continued)**

**N. Continued Existence – (Continued)**

Date	Amount Expenditure	of	Payee/Vendor	Description
07/25/14	\$187.50		Hylant Group	Treasurer's Bond
10/31/14	\$3,321.00		Auditor of State	FY 2014 Audit Cost
04/15/15	\$1,100.00		Julian & Grube	GAAP Compilation
04/15/15	\$2,275.50		Auditor of State	FY 2014 Audit Cost

As of the date of this report the Academy will have an additional payable to the Auditor of State of \$184.50. The remaining cash balance still needs to be paid to the Ohio Department of Education by the Academy. The Ohio Department of Education will then redistribute this balance to the home school districts of the students who were enrolled at the Academy at the time it ceased operations.

**NOTE 18 – Management Plan**

The District has suffered an operating loss of \$1,506,414 and had an unrestricted net position deficiency of \$854,423 at June 30, 2014. The General Fund had a deficit fund balance of \$363,305 at June 30, 2014.

The Board of Education has approved a Plan for Reduction of Expenditures that includes the following cost reduction measures for fiscal year 2015. All reductions have been in place for fiscal year 2015.

Management plans on reopening the intermediate building when an additional funding source increase or an increase in student enrollment occurs (See Note 19). The District revamped its preschool program during fiscal year 2014 which will save the District approximately \$80,000 per year with funding coming directly to the district.

Continued Closure of the Intermediate School	\$ 242,000
Utilities Reduction	
Reduction of 7 Classified Positions	
Continued Double Route Bussing	\$ 90,000
Continued Building Supplies Reduction	\$ 10,000
Continued Collection of Income Tax Revenue	\$ 681,000
Continued Revamped Preschool Program	\$ 90,000
Continued Closure of Digital Academy (Enrollment Increase)	\$ 175,000
Elimination of Bus Purchase Fiscal Year 2016	\$ 85,000
Change in Medical/Dental/Vision Insurance Policy	\$ 132,000
Rent Intermediate School in Fiscal Year 2016	\$ 294,000
Total Estimated Increases/Reductions	\$1,799,000

During fiscal year 2014 the District fully expended its budget reserve of \$130,549.

As of July 31, 2015, the District's General Fund had a deficit fund balance of \$252,118. The District finished fiscal year 2015 with a General Fund balance of \$105,742.

A 0.75% earned income tax was approved by voters in November 2013. Collection of this revenue began in January 2014 with the first payment received in April 2014. This new tax will generate approximately \$681,000 per year once in full collection.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 19 – Subsequent Events**

The District entered into a five-year lease agreement with the Tomorrow Center Community School on July 03, 2015 for use of the District's Intermediate School. The rental income for the District will be \$24,500 per month.

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**CARDINGTON-LOINCOLN LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 27,059	\$ 27,059
Cash Assistance:			
School Breakfast Program	10.553	57,256	57,256
National School Lunch Program	10.555	190,258	190,258
<i>Total Nutrition Cluster</i>		<u>274,573</u>	<u>274,573</u>
School Lunch Expansion	10.560	6,000	6,000
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b><u>280,573</u></b>	<b><u>280,573</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	230,055	263,780
Special Education Grants to States	84.027	220,915	239,358
ARRA-Race to the Top Incentive Grants, Recovery Act	84.395	-	5,341
Title II-A -Improving Teacher Quality	84.367	34,025	53,536
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b><u>484,995</u></b>	<b><u>562,015</u></b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<b><u>\$ 765,568</u></b>	<b><u>\$ 842,588</u></b>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Cardington-Lincoln Local School District's (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 entitlement 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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 29, 2015, wherein we noted the District's discretely presented component unit, the Cardington Lincoln Local Digital Academy, closed effective June 30, 2014 and the District has suffered recurring losses from operations and has a fund balance deficiency.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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  
Columbus, Ohio

July 29, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Cardington-Lincoln Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Cardington-Lincoln Local School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Cardington-Lincoln Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

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

*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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable 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.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 29, 2015



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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<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?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<u>Title I Grants to Local Educational Agencies:</u> CFDA #84.010  <u>Special Education Grants to States:</u> CFDA: #84.027
<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?	No

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

**FINDING NUMBER 2014-001**

**Financial Reporting – Material Weakness**

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following adjustments were material to the overall financial statements of the District and were posted to the June 30, 2014 financial statements and the District's accounting records.

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-001 (Continued)**

**Financial Reporting – Material Weakness (Continued)**

- An adjustment for unrecorded liabilities in the amount of \$185,178 to increase accounts payable and the corresponding expenditures. The adjustment affected the General Fund (\$94,606), Classroom Facilities Maintenance Fund (\$59,672), Food Service Funds (\$30,900) and the Governmental Activities (\$185,178) opinion unit.
- The Cardington Lincoln Local Digital Academy (the Academy) closed as of June 30, 2014 and the District, the Academy's sponsor, assumed the closure responsibilities of the Academy. However, the financial activity should not have been transferred to the District as of June 30, 2014 and should not be included in the District's General Fund as of June 30, 2014. An adjustment was made to both the General Fund and the Governmental Activities to remove the special item of \$176,454, to decrease cash in segregated accounts by \$173,217, to decrease intergovernmental receivables by \$8,500, to decrease accounts payable by \$372, and to decrease intergovernmental payables by \$4,891.
- The Cardington Lincoln Local Digital Academy Component Unit financial activity was adjusted to properly reflect the assets and liabilities of the Academy as of June 30, 2014.

Failure to properly provide complete and accurate information on the financial statements could lead to misleading and materially misstated financial statements.

We recommend the adjustment and reclassification identified above to be reviewed by the Treasurer and Board of Education to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the School District should develop procedures for periodic review of the financial statement information to ensure it accurately reflects the District's activity.

**Official's Response:**

We did not receive a response from Officials to this finding

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None



# 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  
SEPTEMBER 29, 2015**