

CARDINGTON-LINCOLN
LOCAL SCHOOL DISTRICT
MORROW COUNTY
CARDINGTON, OHIO
FINANCIAL STATEMENTS
JUNE 30, 2003



**Auditor of State
Betty Montgomery**

Board of Education
Cardington-Lincoln Local School District

We have reviewed the Independent Auditor's Report of the Cardington-Lincoln Local School District, Morrow County, prepared by Holbrook & Manter for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Cardington-Lincoln Local School District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 16, 2004

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CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

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INDEPENDENT AUDITORS' REPORT

Board of Education
Cardington-Lincoln Local School District
Morrow County
Cardington, OH 43315

We have audited the accompanying general-purpose financial statements of Cardington-Lincoln Local School District, as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of Cardington-Lincoln Local School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Cardington-Lincoln Local School District as of June 30, 2003, and the results of operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2003 on our consideration of Cardington-Lincoln Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the general-purpose financial statements of Cardington-Lincoln Local School District. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Certified Public Accountants

Marion, Ohio
December 30, 2003

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMO ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	ENTERPRISE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG TERM DEBT	
ASSETS AND OTHER DEBITS:-									
ASSETS:-									
Equity in pooled cash and cash equivalents	\$ 1,496,997	\$ 686,144	\$ 816,174	\$ 4,112,448	\$ 29,699	\$ 55,746	\$ 0	\$ 0	\$ 7,197,208
Cash and cash equivalents	0	0	0	1,243,106	0	0	0	0	1,243,106
Receivables:-									
Property taxes	1,953,535	41,302	540,999	30,748	0	0	0	0	2,566,584
Accounts	1,840	2,192	0	0	389	229	0	0	4,650
Accrued interest	5,376	133	0	4,362	79	62	0	0	10,012
Due from other governments	10,414	47,892	0	20,659,239	0	0	0	0	20,717,545
Materials and supplies inventory	1,984	0	0	0	8,959	0	0	0	10,943
Prepayments	33,198	8,833	0	13,892	0	0	0	0	55,923
Restricted assets:-									
Equity in pooled cash and cash equivalents	28,476	0	0	0	0	0	0	0	28,476
Property, plant and equipment (net of accumulated depreciation where applicable)	0	0	0	0	110,403	0	14,152,314	0	14,262,717
OTHER DEBITS:-									
Amount available in Debt Service Fund	0	0	0	0	0	0	0	934,324	934,324
Amount to be provided for retirement of general long-term obligations	0	0	0	0	0	0	0	6,099,258	6,099,258
Total assets and other debits	\$ 3,531,820	\$ 786,496	\$ 1,357,173	\$ 26,063,795	\$ 149,529	\$ 56,037	\$ 14,152,314	\$ 7,033,582	\$ 53,130,746

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	GOVERNMENTAL FUND TYPES				PROPRIETARY	FIDUCIARY	ACCOUNT GROUPS		TOTALS (MEMO) (ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	ENTERPRISE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG TERM DEBT	
LIABILITIES, EQUITY AND OTHER CREDITS:-									
LIABILITIES:-									
Accounts payable	\$ 6,596	\$ 914	\$ 0	\$ 4,177	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,687
Contracts payable	0	0	0	80,601	0	0	0	0	80,601
Accrued wages and benefits	621,134	55,539	0	0	16,930	0	0	0	693,603
Compensated absences payable	46,161	0	0	0	15,074	0	453,922	0	515,157
Pension obligation payable	108,486	7,376	0	0	14,513	0	60,478	0	190,853
Deferred revenues	1,466,299	30,552	421,948	20,673,611	0	0	0	0	22,592,410
Due to other governments	55,558	3,385	901	173	1,316	0	0	0	61,333
Due to students	0	0	0	0	0	30,291	0	0	30,291
Undistributed monies	0	0	0	0	0	939	0	0	939
General obligation bonds payable	0	0	0	0	0	0	6,495,745	0	6,495,745
General obligation notes payable	27,579	0	0	0	0	0	0	0	27,579
Asbestos loan payable	0	0	0	0	0	0	23,437	0	23,437
Total liabilities	<u>2,331,813</u>	<u>97,766</u>	<u>422,849</u>	<u>20,758,562</u>	<u>47,833</u>	<u>31,230</u>	<u>0</u>	<u>7,033,582</u>	<u>30,723,635</u>
EQUITY AND OTHER CREDITS:-									
Investment in general fixed assets	0	0	0	0	0	0	14,152,314	0	14,152,314
Retained earnings: unreserved	0	0	0	0	101,696	0	0	0	101,696
Fund balance:-									
Reserved for encumbrances	99,771	5,499	0	1,346,550	0	0	0	0	1,451,820
Reserved for materials and supplies inventory	1,984	0	0	0	0	0	0	0	1,984
Reserved for prepayments	33,198	8,833	0	13,892	0	0	0	0	55,923
Reserved for debt service	0	0	835,181	0	0	0	0	0	835,181
Reserved for tax revenue unavailable appropriation	383,883	8,843	99,143	12,562	0	0	0	0	504,431
Reserved for BWC refunds	28,476	0	0	0	0	0	0	0	28,476
Unreserved:-									
Designated for budget stabilization	89,029	0	0	0	0	0	0	0	89,029
Undesignated	563,666	665,555	0	3,932,229	0	24,807	0	0	5,186,257
Total equity and other credits	<u>1,200,007</u>	<u>688,730</u>	<u>934,324</u>	<u>5,305,233</u>	<u>101,696</u>	<u>24,807</u>	<u>14,152,314</u>	<u>0</u>	<u>22,407,111</u>
Total liabilities, equity and other credits	\$ <u>3,531,820</u>	\$ <u>786,496</u>	\$ <u>1,357,173</u>	\$ <u>26,063,795</u>	\$ <u>149,529</u>	\$ <u>56,037</u>	\$ <u>14,152,314</u>	\$ <u>7,033,582</u>	\$ <u>53,130,746</u>

See Accompanying Notes to the General Purpose Financial Statements.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
JUNE 30, 2003

	GOVERNMENTAL FUND TYPES				FIDUCIARY	TOTAL (MEMO) ONLY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	EXPENDABLE TRUST	
REVENUES:-						
From local sources:						
Taxes	\$ 1,708,345	\$ 38,633	\$ 398,917	\$ 57,501	\$ 0	\$ 2,203,396
Tuition	376,587	0	0	0	0	376,587
Earnings on investments	63,883	1,959	0	22,245	614	88,701
Extracurricular	0	179,604	0	0	229	179,833
Other local revenues	122,395	4,792	0	40,000	4,415	171,602
Other revenue	13,083	7,447	0	0	0	20,530
Intergovernmental - State	6,155,831	74,444	41,070	556,949	0	6,828,294
Intergovernmental - Federal	4,702	453,589	0	0	0	458,291
Total revenues	<u>8,444,826</u>	<u>760,468</u>	<u>439,987</u>	<u>676,695</u>	<u>5,258</u>	<u>10,327,234</u>
EXPENDITURES:-						
Current:-						
Instruction:-						
Regular	3,478,499	132,022	0	13,049	0	3,623,570
Special	705,933	375,463	0	0	0	1,081,396
Vocational	270,569	0	0	0	0	270,569
Other	719,465	0	0	0	9,198	728,663
Supporting services:-						
Pupils	328,339	16,837	0	0	0	345,176
Instructional staff	412,836	28,801	0	0	0	441,637
Board of Education	18,342	0	0	0	0	18,342
Administration	654,782	77,265	0	0	0	732,047
Fiscal	194,978	1,159	11,003	1,790	0	208,930
Operation & maintenance - plant	802,040	22,289	0	21,473	0	845,802
Pupil transportation	457,140	0	0	0	0	457,140
Community Services	35,992	0	0	0	0	35,992
Extracurricular activities	143,707	122,672	0	0	0	266,379
Facilities acquisition and construction	22,412	0	0	695,034	0	717,446
Debt service:-						
Principal retirement	5,000	0	130,000	0	0	135,000
Interest and fiscal charges	1,684	0	113,678	0	0	115,362
Bond issuance costs	0	0	144,802	0	0	144,802
Total expenditures	<u>8,251,718</u>	<u>776,508</u>	<u>399,483</u>	<u>731,346</u>	<u>9,198</u>	<u>10,168,253</u>
Excess (deficiency) of revenues over (under) expenditures	193,108	(16,040)	40,504	(54,651)	(3,940)	158,981
OTHER FINANCING SOURCES (USES):-						
Premium/accrued interest on bonds	0	0	163,560	0	0	163,560
Proceeds from sale bonds	0	0	0	4,665,000	0	4,665,000
Proceeds from sale of assets	800	0	0	0	0	800
Operating transfers in	121,456	464,255	0	62,673	0	648,384
Operating transfers out	(546,928)	0	0	(121,456)	0	(668,384)
Total other financing sources (uses)	<u>(424,672)</u>	<u>464,255</u>	<u>163,560</u>	<u>4,606,217</u>	<u>0</u>	<u>4,809,360</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(231,564)	448,215	204,064	4,551,566	(3,940)	4,968,341
Fund balances at beginning of year	1,436,487	240,515	730,260	753,667	28,747	3,189,676
Decrease in reserve for inventory	(4,916)	0	0	0	0	(4,916)
Fund balances at end of year	<u>\$ 1,200,007</u>	<u>\$ 688,730</u>	<u>\$ 934,324</u>	<u>\$ 5,305,233</u>	<u>\$ 24,807</u>	<u>\$ 8,153,101</u>

See Accompanying Notes to the General Purpose Financial Statements

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2003

	GENERAL			SPECIAL REVENUE		
	REVISED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES:-						
From local sources:						
Taxes	\$ 1,735,126	\$ 1,735,126	\$ 0	\$ 39,178	\$ 39,178	\$ 0
Tuition	376,560	376,587	27	0	0	0
Earnings on investments	63,610	63,614	4	2,011	2,029	18
Extracurricular	0	0	0	178,514	178,745	231
Other local revenues	103,118	103,152	34	350	350	0
Other revenue	6,250	6,258	8	8,847	8,847	0
Intergovernmental - State	6,155,810	6,155,831	21	67,394	67,394	0
Intergovernmental - Federal	5,975	6,116	141	431,501	431,501	0
Total revenues	<u>8,446,449</u>	<u>8,446,684</u>	<u>235</u>	<u>727,795</u>	<u>728,044</u>	<u>249</u>
EXPENDITURES:-						
Current:-						
Instruction:-						
Regular	3,602,780	3,474,845	127,935	132,801	127,015	5,786
Special	676,989	659,948	17,041	404,785	376,361	28,424
Vocational	268,822	267,001	1,821	0	0	0
Other	719,802	719,466	336	0	0	0
Supporting services:-						
Pupils	327,039	325,825	1,214	18,311	18,167	144
Instructional staff	410,379	398,326	12,053	43,610	40,828	2,782
Board of Education	27,794	27,491	303	0	0	0
Administration	625,420	612,604	12,816	85,285	77,623	7,662
Fiscal	192,882	188,050	4,832	1,300	1,159	141
Operations and maintenance	874,352	852,699	21,653	28,318	24,610	3,708
Pupil transportation	475,280	470,296	4,984	0	0	0
Community services	49,730	46,559	3,171	0	0	0
Extracurricular activities	149,939	149,094	845	130,028	124,590	5,438
Facilities acquisition and construction	22,412	22,412	0	0	0	0
Debt service:						
Principal retirement	11,095	11,095	0	0	0	0
Interest and fiscal charges	1,684	1,684	0	0	0	0
Bond issuance cost	0	0	0	0	0	0
Total expenditures	<u>8,436,399</u>	<u>8,227,395</u>	<u>209,004</u>	<u>844,438</u>	<u>790,353</u>	<u>54,085</u>
Excess (deficiency) of revenues over (under) expenditures	10,050	219,289	209,239	(116,643)	(62,309)	54,334
Other financing sources (uses):-						
Operating transfers in	137,182	137,182	0	464,255	464,255	0
Operating transfers out	(562,654)	(562,654)	0	0	0	0
Premium on sale of bonds	0	0	0	0	0	0
Proceeds from sale of fixed assets	800	800	0	0	0	0
Refund of prior year expenditure	19,674	19,677	3	855	855	0
Total other financing sources (uses)	<u>(404,998)</u>	<u>(404,995)</u>	<u>3</u>	<u>465,110</u>	<u>465,110</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(394,948)	(185,706)	209,242	348,467	402,801	54,334
Fund balances at beginning of year	1,496,787	1,496,787	0	258,798	258,798	0
Prior year encumbrances appropriated	108,085	108,085	0	18,532	18,532	0
Fund balances at end of year	<u>\$ 1,209,924</u>	<u>\$ 1,419,166</u>	<u>\$ 209,242</u>	<u>\$ 625,797</u>	<u>\$ 680,131</u>	<u>\$ 54,334</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2003

	DEBT SERVICE			CAPITAL PROJECTS		
	BUDGET REVISED	ACTUAL	FAVORABLE (UNFAVORABLE)	BUDGET REVISED	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES:-						
From local sources:						
Taxes	\$ 365,710	\$ 365,710	\$ 0	\$ 59,427	\$ 59,427	\$ 0
Tuition	0	0	0	0	0	0
Earnings on investments	0	0	0	17,883	17,883	0
Extracurricular	0	0	0	0	0	0
Other local revenues	0	0	0	40,000	40,000	0
Other revenue	0	0	0	0	0	0
Intergovernmental - State	41,070	41,070	0	556,949	556,949	0
Intergovernmental - Federal	0	0	0	0	0	0
Total revenues	<u>406,780</u>	<u>406,780</u>	<u>0</u>	<u>674,259</u>	<u>674,259</u>	<u>0</u>
EXPENDITURES:-						
Current:-						
Instruction:-						
Regular	0	0	0	13,892	13,892	0
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Other	0	0	0	0	0	0
Supporting services:-						
Pupils	0	0	0	0	0	0
Instructional staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	12,000	10,761	1,239	2,000	1,791	209
Operations and maintenance	0	0	0	94,827	21,473	73,354
Pupil transportation	0	0	0	0	0	0
Community services	0	0	0	0	0	0
Extracurricular activities	0	0	0	0	0	0
Facilities acquisition and construction	0	0	0	2,178,429	2,041,584	136,845
Debt service;						
Principal retirement	130,000	130,000	0	0	0	0
Interest and fiscal charges	113,678	113,678	0	0	0	0
Bond issuance cost	144,802	144,802	0	0	0	0
Total expenditures	<u>400,480</u>	<u>399,241</u>	<u>1,239</u>	<u>2,289,148</u>	<u>2,078,740</u>	<u>210,408</u>
Excess (deficiency) of revenues over (under) expenditures	6,300	7,539	1,239	(1,614,889)	(1,404,481)	210,408
Other financing sources (uses):-						
Operating transfers in	0	0	0	62,673	62,673	0
Operating transfers out	0	0	0	(121,456)	(121,456)	0
Premium on sale of bonds	160,873	163,560	2,687	4,665,000	4,665,000	0
Proceeds from sale of fixed assets	0	0	0	0	0	0
Refund of prior year expenditure	0	0	0	0	0	0
Total other financing sources (uses)	<u>160,873</u>	<u>163,560</u>	<u>2,687</u>	<u>4,606,217</u>	<u>4,606,217</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	167,173	171,099	3,926	2,991,328	3,201,736	210,408
Fund balances at beginning of year	645,075	645,075	0	413,586	413,586	0
Prior year encumbrances appropriated	0	0	0	308,904	309,904	1,000
Fund balances at end of year	<u>\$ 812,248</u>	<u>\$ 816,174</u>	<u>\$ 3,926</u>	<u>\$ 3,713,818</u>	<u>\$ 3,925,226</u>	<u>\$ 211,408</u>

(Continued)

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2003

	TOTAL (MEMO ONLY)		
	REVISED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES:-			
From local sources:			
Taxes	\$ 2,199,441	\$ 2,199,441	\$ 0
Tuition	376,560	376,587	27
Earnings on investments	83,504	83,526	22
Extracurricular	178,514	178,745	231
Other local revenues	143,468	143,502	34
Other revenue	15,097	15,105	8
Intergovernmental - State	6,821,223	6,821,244	21
Intergovernmental - Federal	437,476	437,617	141
Total revenues	<u>10,255,283</u>	<u>10,255,767</u>	<u>484</u>
EXPENDITURES:-			
Current:-			
Instruction:-			
Regular	3,749,473	3,615,752	133,721
Special	1,081,774	1,036,309	45,465
Vocational	268,822	267,001	1,821
Other	719,802	719,466	336
Supporting services:-			
Pupils	345,350	343,992	1,358
Instructional staff	453,989	439,154	14,835
Board of Education	27,794	27,491	303
Administration	710,705	690,227	20,478
Fiscal	208,182	201,761	6,421
Operations and maintenance	997,497	898,782	98,715
Pupil transportation	475,280	470,296	4,984
Community services	49,730	46,559	3,171
Extracurricular activities	279,967	273,684	6,283
Facilities acquisition and construction	2,200,841	2,063,996	136,845
Debt service;			
Principal retirement	141,095	141,095	0
Interest and fiscal charges	115,362	115,362	0
Bond issuance cost	144,802	144,802	0
Total expenditures	<u>11,970,465</u>	<u>11,495,729</u>	<u>474,736</u>
Excess (deficiency) of revenues over (under) expenditures	(1,715,182)	(1,239,962)	475,220
Other financing sources (uses):-			
Operating transfers in	664,110	664,110	0
Operating transfers out	(684,110)	(684,110)	0
Premium on sale of bonds	4,825,873	4,828,560	2,687
Proceeds from sale of fixed assets	800	800	0
Refund of prior year expenditure	20,529	20,532	3
Total other financing sources (uses)	<u>4,827,202</u>	<u>4,829,892</u>	<u>2,690</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	3,112,020	3,589,930	477,910
Fund balances at beginning of year	2,814,246	2,814,246	0
Prior year encumbrances appropriated	<u>435,521</u>	<u>435,521</u>	<u>0</u>
Fund balances at end of year	<u>\$ 6,361,787</u>	<u>\$ 6,839,697</u>	<u>\$ 477,910</u>

See Accompanying Notes to the General Purpose Financial Statements.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2003

	PROPRIETARY FUND TYPE
	ENTERPRISE
OPERATING REVENUES:-	
Sales/charges for services	\$ 160,015
Total operating revenues	160,015
OPERATING EXPENSES:-	
Personal services	171,832
Contract services	1,714
Materials and supplies	146,789
Depreciation	12,356
Total operating expenses	332,691
Operating loss	(172,676)
NON-OPERATING REVENUES:-	
Operating grants	96,619
Federal commodities	39,374
Interest revenue	305
Total non-operating revenue	136,298
Net loss before operating transfers	(36,378)
Operating transfers	20,000
Retained earnings at beginning of year	118,074
Retained earnings at end of year	\$ 101,696

See Accompanying Notes to the General Purpose Financial Statements

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2003

	<u>PROPRIETARY FUND TYPE</u>
	<u>ENTERPRISE</u>
Cash flows from operating activities:	
Cash received from sales/service charges	\$ 159,626
Cash payments for personal services	(169,213)
Cash payments for contact services	(1,714)
Cash payments for supplies and materials	<u>(114,204)</u>
Net cash used in operating activities	(125,505)
Cash flows from noncapital financing activities:	
Cash received from operating transfers	20,000
Cash received from operating grants	<u>109,663</u>
Net cash provided by noncapital financing activities	129,663
Cash flows from investing activities:	
Interest received	<u>285</u>
Net cash provided by investing activities	285
Net increase in cash and cash equivalents	4,443
Cash and cash equivalents at beginning of year	<u>25,256</u>
Cash and cash equivalents at end of year	<u><u>\$ 29,699</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (172,676)
Adjustments to reconcile operating loss to net used in operating activities:	
Depreciation	12,356
Federal donated commodities	39,374
Changes in assets and liabilities:-	
Increase in materials and supplies inventory	(1,138)
Increase in accounts receivable	(389)
Increase in accrued wages and benefits	266
Increase in compensated absences payable	114
Increase in pension obligation payable	1,561
Increase in due to other governments	678
Decrease in deferred revenue	<u>(5,651)</u>
Net cash used in operating activities	<u><u>\$ (125,505)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT:-

The Cardington-Lincoln Local School District (the "District") is located primarily in Morrow (and serves a small portion of Marion) County and includes the Village of Cardington and Lincoln Township. The District serves an area of approximately 85 square miles.

The District was established in 1840 through the consolidation of existing land areas and school districts. The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 431st largest by enrollment among the 740 public and community school districts in the State, and the third largest in Morrow County. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 90 non-certified and 53 certified employees to provide services to approximately 1,239 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organizations:

Tri-Rivers Educational Computer Association (TRECA)

TRECA is a jointly governed organization among 21 school districts. TRECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports TRECA based upon a per pupil charge, dependent upon the software package utilized. TRECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In the event of the dissolution of TRECA, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. Financial information is available from Mike Carder, Director, at 2222 Marion/Mt. Gilead Road, Marion, Ohio 43302.

Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (the "JVS") is a distinct political subdivision of the State of Ohio. The JVS operates under the direction of a Board consisting of one representative from each of the participating school district's Board of Education, and one representative from the Delaware Union Educational Service Center. The JVS Board of Education possesses its own budgeting and taxing authority. Financial information is available from Terril Martin, Treasurer, at 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Cardington Community Joint Recreation Board

The District and the Village of Cardington participate in a Joint Recreation Board, created under the provisions of Ohio Revised Code, Sections 755.12 to 755.18. The Joint Recreation Board consists of two representatives from each participant, and one appointed by the four members. The degree of control exercised by the District is limited to its representation on the Board. Financial information is available from Louise Mathews, Treasurer, P.O. Box 63, Cardington, Ohio 43315.

Related Organization:

Cardington Public Library

The Cardington Public Library is a distinct subdivision of the State of Ohio, created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Cardington-Lincoln School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority for the Library, its role is limited to a ministerial function. The determination to request approval of a tax, including its rate and the purpose, are discretionary decisions made solely by the Board of Trustees. Financial information is available from the Cardington Public Library, Margaret May, Clerk/Treasurer, at 209 South Marion Street, Cardington, Ohio 44315.

Public Entity Risk Pool:

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 11.B for further information on this group rating plan.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities which are

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

Enterprise Funds - The Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus. Agency funds are reported on a cash basis, with note disclosure regarding items which, in other fund types, would be subject to accrual (see Note 3.C).

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and the Expendable Trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2003, but which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2003 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Morrow County Budget Commission for tax rate determination.
3. Prior to April 1st, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
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. Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. 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.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2003.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During fiscal 2003, investments were limited to certificates of deposit, which are reported at cost.

By policy of the Board of Education, investment earnings are assigned to the General fund, the Food Service fund, the Public School Support fund, the Scholarship fund, the District-Managed Activities fund, and the Student-Managed Activities fund. During fiscal 2003, the following funds were credited with more interest revenue than would have been received based upon its share of investments:

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Investments</u>	<u>Interest Assigned from Other Funds</u>
General	\$ 63,883	\$ 23,966	\$ 39,917
<u>Special Revenue Funds</u>			
Public School Support	1,179	520	659
District Managed Activities	780	334	446
Expendable Trust Fund	614	407	207
<u>Agency Fund</u>			
Student Managed Activities	1,412	484	928

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

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

F. Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At period end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District increased its capitalization threshold from \$500 to \$1,500 during fiscal year 2003. The costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life, are not capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

2. *Proprietary Funds*

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and minor equipment	8-20

I. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2003 is presented in Note 5.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for this future severance eligibility, all employees with at least ten years of service with the District were included.

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

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

K. Long-Term Obligations

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by Proprietary funds are reported as liabilities in the appropriate Proprietary funds.

L. Bond Discounts, Premiums and Interest Costs

For governmental fund types, bond premiums and discounts, as well as issuance cost, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. The long-term debt that appears in the general long-term obligations account group is always reported at the bond's face value.

M. Fund Reserves/Designations

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation, and Bureau of Workers' Compensation (BWC) refunds. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The District reports amounts set-aside by the School Board for budget stabilization as a designation of fund balance in the general fund.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

N. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a BWC refund reserve. This reserve is required by State statute and can be used only for statutorily-specified purposes. A fund balance reserve has also been established. See Note 18 for statutory reserves. Cash is not restricted for designations of fund balance, because designations are not required by statute, and may be changed or eliminated at management's decision.

O. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE:-

A. Prior Period Adjustment

During fiscal year 2003, the District had its fixed assets appraised and changed its fixed asset policy to increase the capitalization threshold from \$500 to \$1,500 and no longer capitalize books. A prior period adjustment is required to restate the general fixed asset account group (see Note 7) and the retained earnings in the Food Service enterprise fund. The prior period adjustment had the following effect on retrain earnings as previously reported as of June 30, 2002:

	<u>Enterprise</u>
Retained earnings as previously reported	\$ 14,106
Adjustments	<u>103,968</u>
Restated retained earnings as of July 1, 2002	\$ <u>118,074</u>

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE:- (continued)

B. Deficit Fund Balance

The following fund had a deficit fund balance at June 30, 2003:

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Title I	\$ 16

This fund complied with state statute which does not allow for a cash deficit at year-end. The GAAP-basis deficit will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. This deficit is a result of accruing liabilities in accordance with GAAP.

C. Agency Funds

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

<u>ASSETS</u>	
Accounts receivable	\$ 1,489
Prepayments	1,500

NOTE 4 - EQUITY IN POOLED CASH 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS:- (continued)

current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS:- (continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year-end the carrying amount of the District's deposits was \$7,225,684 and the bank balance was \$4,612,674 (both amounts include \$4,430,107 in non-negotiable certificates of deposit).

1. Of the bank balance and CDs, \$200,000 was covered by federal deposit insurance and \$4,412,674 was covered by collateral held by third party trustees pursuant to Section 135.181 of the Ohio Revised Code in collateral pools securing all public funds on deposit with the District's depositories.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS:- (continued)

2. Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities and obligations of the other states.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form. The carrying value and market value of funds on deposit with STAR Ohio at June 30, 2003 was \$1,243,106.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Pooled Cash and Cash</u> <u>Equivalents/Deposits</u>	<u>Investments</u>
Combined Balance Sheet	\$ 8,468,790	\$ 0
Reclassifications:-		
Star Ohio-Investment in		
State Treasurers Pool	(1,243,106)	1,243,106
Farmers Citizens Bank		
Repurchase Agreement	<u>(2,751,146)</u>	<u>2,751,146</u>
GASB Statement #3	<u>\$ 4,474,538</u>	<u>\$ 3,994,252</u>

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 5 - INTERFUND TRANSACTIONS:-

The following is a summarized breakdown of the District's operating transfers for fiscal year 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 121,456	\$ 546,928
<u>Special Revenue Fund</u>		
Classroom Maintenance	464,255	0
<u>Capital Projects Fund</u>		
Permanent Improvement	0	62,673
All Weather Track	62,673	58,783
<u>Enterprise Fund</u>		
Food Service	<u>20,000</u>	<u>0</u>
Total	<u>\$ 668,384</u>	<u>\$ 668,384</u>

NOTE 6 - PROPERTY TAXES:-

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 6 - PROPERTY TAXES:- (continued)

The assessed value upon which the 2002 taxes were collected was \$94,576,960. Agricultural/residential and public utility/minerals real estate represented 76.58% or \$72,429,740 of this total; commercial & industrial real estate represented 6.09% or \$5,757,120 of this total, public utility tangible represented 6.74% or \$6,377,420 of this total and general tangible property represented 10.59% or \$10,012,680 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$27.10 per \$1,000 of assessed valuation for operations, \$1.00 per \$1,000 for permanent improvement and \$5.22 per \$1,000 for bond debt.

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

The Morrow County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2003 totaled \$383,883, in the General fund; \$99,143, in the Debt Service fund; \$12,562, in the Permanent Improvements fund; and \$8,843 in the Classroom Maintenance special revenue fund.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 7 - FIXED ASSETS:-

The general fixed assets account group has been restated as of July 1, 2002 due to an appraisal performed during fiscal year 2003 and a change in the fixed asset policy to increase the capitalization threshold from \$500 to \$1,500 and to no longer capitalize books.

	<u>Balance</u> <u>July 1, 2002</u>	<u>Adjustment</u>	<u>Restated</u> <u>Balance</u> <u>July 1, 2002</u>
Land/improvements	\$ 127,097	\$ 1,764,378	\$ 1,891,475
Buildings	3,189,434	6,359,650	9,549,084
Furniture/equipment	2,893,435	(1,223,891)	1,669,544
Vehicles	1,176,560	(350,790)	825,770
Books	<u>501,923</u>	<u>(501,923)</u>	<u>0</u>
	<u>\$ 7,888,449</u>	<u>\$ 6,047,424</u>	<u>\$13,935,873</u>

	<u>Restated</u> <u>Balance</u> <u>July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2003</u>
Land/improvements	\$ 1,891,475	\$ 19,753	\$ 0	\$ 1,911,228
Buildings	9,549,084	0	0	9,549,084
Furniture/equipment	1,669,544	48,049	(30,460)	1,687,133
Vehicles	825,770	55,567	(71,106)	810,231
Construction in progress	<u>0</u>	<u>194,638</u>	<u>0</u>	<u>194,638</u>
Total	<u>\$13,935,873</u>	<u>\$ 318,007</u>	<u>\$(101,566)</u>	<u>\$14,152,314</u>

A summary of the Proprietary fixed assets at June 30, 2003 follows:

Furniture/equipment	\$ 189,069
Less Accumulated Depreciation	<u>(78,666)</u>
Net Fixed Assets	<u>\$ 110,403</u>

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 8 – RECEIVABLES:-

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental grants receivable have been presented as “Due from other governments” on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Real Taxes - current and delinquent	\$ 1,953,535
Accounts	1,840
Accrued interest	5,376
Due from other governments	10,414
<u>Special Revenue Funds</u>	
Taxes - current and delinquent	\$ 41,302
Accounts	2,192
Accrued interest	133
Due from other governments	47,892
<u>Debt Service Fund</u>	
Taxes - current and delinquent	540,999
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	30,748
Accrued interest	4,362
Due from other governments	20,659,239
<u>Enterprise Funds</u>	
Accounts	389
Accrued interest	79
<u>Expendable Trust Funds</u>	
Accounts	229
Accrued interest	62

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 9 - NOTES PAYABLE :-

In the fiscal year ended June 30, 2000, the District issued a general obligation revenue anticipation note for the purpose of paying for new bleachers on the football field. The note is a general obligation of the District for which the full faith and credit of the District are pledged for repayment. The note is a liability of the General fund, which received the proceeds upon issuance. The following is a description of the District's note outstanding as of June 30, 2003:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Outstanding 07/01/01</u>	<u>Retired in Fiscal 2002</u>	<u>Outstanding 06/30/02</u>
New							
Bleachers	5.00%	08/25/99	08/25/06	<u>\$45,000</u>	<u>\$33,674</u>	<u>\$(6,095)</u>	<u>\$27,579</u>

NOTE 10 - LONG-TERM OBLIGATIONS:-

A. 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.

The District advance refunded the 1992 general obligation bonds to reduce its total debt service over the next 13 years by \$255,065 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$197,069.

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 has awarded the District an \$21,195,239 grant for the project, and will make quarterly disbursements to the District until the project is completed. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt serve fund. The source of payment is derived from a current 2.93 mill bonded debt tax levy.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 10 - LONG-TERM OBLIGATIONS:- (continued)

On June 17, 2003, the District issued \$1,165,000 in general obligation bonds (Series 2003, School Facilities Improvement Bonds to build an auditorium as a locally funded initiative. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt service fund. The source of payment is derived from a current .87 mill bonded debt tax levy.

The September 2003 issue is comprised of both current interest bonds, par value \$1,670,000, and capital appreciation bonds, par value \$259,996. The interest rates on the current interest bonds range from 2.40% to 4.15%. The capital appreciation bonds mature on December 1, 2012 (effective interest 7.747%) and December 1, 2013 (effective interest 7.736%) and December 1, 2014 (effective interest rate 7.272%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2003 was \$290,747. A total of \$30,751 in accreted interest on the capital appreciation bonds has been included in the general long-term obligations account group at June 30, 2003.

In conjunction with the 2.93 mills which support the bond issue, the District also passed in fiscal 2003 a .87 mill levy for the June addition to the project. Tax revenue from this levy has been reported in the debt service fund.

The January 2003 issue is comprised of term current interest bonds, par value \$3,425,000, and capital appreciation bonds, par value \$74,998. The capital appreciation bonds mature each December 1, 2013 and 2014, (effective interest 13.12%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2003 was \$74,998.

The January 2003 issue is comprised of term 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 2015 (effective interest 13.07%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2003 was \$40,000.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 10 - LONG-TERM OBLIGATIONS:- (continued)

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 in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the September 2001 issue is December 1, 2014. The final maturity stated in the January 2003 and June 2003 issues are December 2025 and December 2026, respectively.

The following is a schedule of activity for fiscal year 2003 on the 2002 and 2003 series general obligation bonds:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2003</u>
Current interest bonds - 2002	\$ 1,670,000	\$ 0	\$ (130,000)	\$ 1,540,000
Capital appreciation bonds - 2002	269,867	20,880	0	290,747
Current interest bonds - January 2003	0	3,425,000	0	3,425,000
Capital appreciation bonds - January 2003	0	74,998	0	74,998
Current interest bonds - June 2003	0	1,125,000	0	1,125,000
Capital appreciation bonds - June 2002	<u>0</u>	<u>40,000</u>	<u>0</u>	<u>40,000</u>
Total G.O. bonds	<u>\$ 1,939,867</u>	<u>\$ 4,685,878</u>	<u>\$ (130,000)</u>	<u>\$ 6,495,745</u>

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

<u>Fiscal</u> <u>Year Ending</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 245,000	\$ 227,565	\$ 472,565	\$ 0	\$ 0	\$ 0
2005	255,000	221,956	476,956	0	0	0
2006	285,000	215,270	500,270	0	0	0
2007	295,000	207,964	502,964	0	0	0
2008	310,000	199,431	509,431	0	0	0
2009-2013	1,570,000	948,476	2,518,476	0	0	0
2014-2018	595,000	1,255,369	1,850,369	0	0	0
2019-2023	1,390,000	425,533	1,815,533	210,000	0	210,000
2024-2027	<u>1,145,000</u>	<u>87,987</u>	<u>1,232,987</u>	<u>880,000</u>	<u>0</u>	<u>880,000</u>
Total	<u>\$ 6,090,000</u>	<u>\$ 3,789,551</u>	<u>\$ 9,879,551</u>	<u>\$ 1,090,000</u>	<u>\$ 0</u>	<u>\$ 1,090,000</u>

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 10 - LONG-TERM OBLIGATIONS:- (continued)

B. In 1991, the District received a loan from the U.S. Environmental Protection Agency for an asbestos abatement project. The loan is interest free as long as the District remains current on repayment. This loan is a general obligation of the District for which the full faith and credit of the District are pledged for repayment. The outstanding balance of the loan is reported in the General Long-Term Obligations Account Group. Payments are recorded as expenditures of the General fund, from current operating revenue. The following schedule describes the loan outstanding at June 30, 2003:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Outstanding 07/01/01</u>	<u>Retired in 2002</u>	<u>Outstanding 06/30/2002</u>
Asbestos Abatement	none	4/20/91	5/30/08	<u>\$85,937</u>	<u>\$28,437</u>	<u>\$(5,000)</u>	<u>\$23,437</u>

The following is a summary of the District's asbestos loan to maturity:

<u>Year Ending June 30</u>	<u>Asbestos Loan</u>
2004	\$ 5,000
2005	5,000
2006	5,000
2007	5,000
2008	<u>3,437</u>
Total	<u>\$ 23,437</u>

C. During the year ended June 30, 2003, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund which the employee is paid.

	<u>Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Compensated absences	\$ 403,118	\$ 114,260	\$(63,456)	\$ 453,922
General obligation bonds	1,939,867	4,685,878	(130,000)	6,495,745
Pension obligation payable	52,903	60,478	(52,903)	60,478
Asbestos loan	<u>28,437</u>	<u>0</u>	<u>(5,000)</u>	<u>23,437</u>
Total	<u>\$ 2,424,325</u>	<u>\$ 4,860,616</u>	<u>\$(251,359)</u>	<u>\$ 7,033,582</u>

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 10 - LONG-TERM OBLIGATIONS:- (continued)

D. Legal Debt Margin

The Ohio Revised Code provides that the total net indebtedness of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$2,680,638 (including available funds of \$934,324) and an unvoted debt margin of \$94,577.

NOTE 11 - RISK MANAGEMENT:-

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the District contracted for the following insurance coverages:

Selective Insurance

Total policy coverage - includes the following:

Buildings and contents - replacement cost (\$1,000 deductible)	\$20,169,216
Inland marine coverage (\$1,000 deductible)	
Boiler and machinery (\$0 deductible)	

Automobile liability	2,000,000
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Uninsured motorist	1,000,000
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Medical payments	5,000
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Public Employee Dishonesty	50,000
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Ohio School Plan

General School District Liability

Per occurrence	1,000,000
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Total per year	3,000,000
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Excess coverage	2,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 11 - RISK MANAGEMENT:- (continued)

There has not been a significant reduction in insurance coverage from the prior year.

B. OSBA Worker's Compensation Group Rating Program

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (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 Medical Life Insurance Company. The District offers employee group medical/surgical benefits through Medical Mutual of Ohio. 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 Medical Mutual of Ohio. Regardless of the plan utilized by the employees, all group benefit plans are traditionally funded, and the District does not retain any risk of loss.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS:-

The District maintains two enterprise funds to account for the operations of food service and uniform school supply sales. The food service fund had encumbrances of \$378 outstanding at June 30, 2003. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenue	\$ 160,015	\$ 0	\$ 160,015
Operating expenses before depreciation	317,036	3,299	320,335
Depreciation	12,356	0	12,356
Operating loss	(169,377)	(3,299)	(172,676)
Non-operating revenues:			
Operating grants	96,619	0	96,619
Donated commodities	39,374	0	39,374
Interest revenue	305	0	305
Net loss	(13,079)	(3,299)	(16,378)
Net working capital	10,532	3,439	13,971
Total assets	146,090	3,439	149,529
Long-term liabilities:			
Payable from fund revenues	22,678	0	22,678
Total fund equity	98,257	3,439	101,696

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 13 - DEFINED BENEFIT PENSION PLANS:-

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established 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. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9 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 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$45,923, \$128,407 and \$122,597, respectively; 50 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$73,032, which represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 13 - DEFINED BENEFIT PENSION PLANS:- (continued)

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 9.3 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 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$540,887, \$499,381, and \$464,631, respectively; 83 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$93,820, which represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the STRS or the SERS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 14 - POSTEMPLOYMENT BENEFITS:-

The District provides comprehensive health care benefits to retired teachers and their dependents through the STRS, and to retired non-certified employees and their dependents through the SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the STRS and SERS based on authority granted by State statute. Both STRS and SERS are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$38,635 during the 2003 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.011 billion at June 30, 2002 (the latest information available). For the year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 14 - POSTEMPLOYMENT BENEFITS:- (continued)

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available), were \$182.947 million and the target level was \$274.4 million. At June 30, 2002 (the latest information available), SERS had net assets available for payment of health care benefits of \$335.2 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$84,766 during the 2003 fiscal year.

NOTE 15 - 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 Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).
- (d) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING:- (continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

	Governmental Fund Types			
	General <u>Fund</u>	Special Revenue <u>Funds</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>
Budget basis	\$(185,706)	\$ 402,801	\$ 171,099	\$ 3,201,736
Net adjustment for revenue accruals	(1,858)	29,547	33,207	2,436
Net adjustment for expenditure accruals	(130,630)	13,866	(145,044)	(83,934)
Net adjustment for other sources/(uses)	(19,677)	(855)	144,802	0
Net adjustment for fund reclassification	0	(3,557)	0	0
Adjustment for Encumbrances	<u>106,307</u>	<u>6,413</u>	<u>0</u>	<u>1,431,328</u>
GAAP Basis	<u>\$(231,564)</u>	<u>\$ 448,215</u>	<u>\$ 204,064</u>	<u>\$ 4,551,566</u>

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 16 - CONTINGENT LIABILITIES:-

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

B. Litigation

The District was not involved in litigation as either plaintiff or defendant at period end.

C. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funds plan unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District's currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 17 – CONTRACTUAL COMMITMENTS:-

The District has the following contractual commitments outstanding as of June 30, 2003:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Balance Remaining</u>
Appleseed Building Co.	\$ 160,019	\$ 142,225	\$ 17,794
Midstate Electrical Construction, In	25,848	22,550	3,298
Levering Brothers Plumbing, Heating and Electrical, Inc.	26,959	1,889	25,070
Air Experts	7,071	6,505	566
Mark Knapp Crawfis Assoc, Inc.	<u>1,494,795</u>	<u>164,000</u>	<u>1,330,795</u>
 Total	 \$ <u>1,714,692</u>	 \$ <u>337,169</u>	 \$ <u>1,377,523</u>

NOTE 18 – STATUTORY RESERVES:-

The District is required by state law to set aside certain (cash-basis) general fund reserve amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	Textbooks	Capital Acquisition	BWC Refunds
Set-aside cash balance as of			
July 1, 2002	\$ (124,192)	\$ (16,385)	\$ 28,476
Current year-set-aside requirement	168,941	168,941	0
Current year offsets	0	(66,485)	0
Qualifying disbursements	<u>(242,515)</u>	<u>(144,780)</u>	<u>0</u>
 Total	 \$ <u>(197,766)</u>	 \$ <u>(58,709)</u>	 \$ <u>28,476</u>
 Cash balance carried forward to FY 2004	 \$ <u>(197,766)</u>	 \$ <u>(58,709)</u>	 \$ <u>28,476</u>

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 18 – STATUTORY RESERVES:- Continued)

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. Monies set-aside by the School Board for budget stabilization are reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2003, was \$89,029.

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

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for BWC refunds	\$ <u>28,476</u>
Total restricted assets	\$ <u>28,476</u>

NOTE 19 – SIGNIFICANT SUBSEQUENT EVENT:-

A. Superintendent

Superintendent Patrick Drouhard retired on July 31, 2003. Mark Wilcheck was chosen as Superintendent and began August 1, 2003.

B. Bleacher Loan

On August 26, 2003, the District restructured its Bleacher Loan in the amount of \$21,210 to reduce the interest rate from 5.00% to 3.85%.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR</u>	<u>FEDERAL CFDA NUMBER</u>	<u>RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>NON-CASH DISBURSE- MENTS</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:-</u>					
Pass-Through Ohio Department of Education - Nutrition Cluster;					
Food Distribution Program	10.550	\$ -	\$ 39,374	\$ -	\$ 39,374
National School Lunch Program	10.555	<u>105,104</u>	<u>-</u>	<u>105,104</u>	<u>-</u>
 Total U.S. Department of Agriculture - Nutrition Cluster		 105,104	 39,374	 105,104	 39,374
<u>U.S. DEPARTMENT OF EDUCATION:-</u>					
Pass-Through Ohio Department of Education					
Special Education Grants to States (IDEA Part B)	84.027	131,149	-	137,228	-
Innovative Educational Program Grants to Local Educational Agencies (ESEA Title I)	84.010	216,950	-	223,677	-
Strategies	84.298	7,430	-	9,105	-
Class Size Reduction	84.340	-	-	8,507	-
Technology Literacy Challenge Fund	84.318	5,908	-	5,908	-
School Renovation, IDEA, & Technology	84.352	2,478	-	2,478	-
Improving Teacher Quality	84.367	54,604	-	57,908	-
Goals 2000	84.276	-	-	200	-
Reading Excellence	84.338	-	-	12,101	-
Drug Free Program	84.186	7,103	-	7,103	-
Eisenhower Grant	84.281	<u>-</u>	<u>-</u>	<u>5,661</u>	<u>-</u>
 Total Department of Education		 425,622	 -	 469,876	 -
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:-</u>					
Passed through Ohio Dept. of MRDD					
Community Alternative Funding System	93.778	<u>6,116</u>	<u>-</u>	<u>3,687</u>	<u>-</u>
 Total Federal Assistance		 \$ 536,842	 \$ 39,374	 \$ 578,667	 \$ 39,374

The accompanying notes are an integral part of this statement.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

NOTE A – SIGNIFICANT ACCOUNTING POLICIES:-

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) summarizes the activity of the District’s federal award programs. The Schedule has been prepared on the cash basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION:-

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule as the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Cardington-Lincoln Local School District
Morrow County
Cardington, Ohio 43315

We have audited the financial statements of Cardington-Lincoln Local School District as of and for the year ended June 30, 2003 and have issued our report thereon dated December 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cardington-Lincoln Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions with laws, regulation, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Cardington-Lincoln Local School District in a separate letter dated December 30, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cardington-Lincoln Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Cardington-Lincoln Local School District in a separate letter dated December 30, 2003

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

Shulbrook & Mante

Certified Public Accountants

Marion, Ohio
December 30, 2003



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Cardington-Lincoln Local School District
Morrow County
Cardington, OH 43315

Compliance

We have audited the compliance of Cardington-Lincoln Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weaknesses is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Shulbrook & Manton

Certified Public Accountants

Marion, Ohio
December 30, 2003

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported noncompliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under §.510	No
Major Programs (list):	Grants to Local Educational Agencies (ESEA Title I) CFDA 84.010
Dollar Threshold: Type A\B Programs	Type A > \$300,000 Type B: all others
Low Risk Auditee?	Yes

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2003

No prior audit findings and questioned costs.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
APRIL 6, 2004**