

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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2015



Dave Yost • Auditor of State

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

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MORROW COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cardington-Lincoln Local School District, Morrow County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cardington-Lincoln Local School District, Morrow County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

As discussed in Note 18 to the financial statements, the District was placed in fiscal caution on January 17, 2016 by the Ohio Department of Education. Note 18 describes Management's plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2016 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 19, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The management's discussion and analysis of the Cardington-Lincoln Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position of governmental activities decreased \$583,943 which represents a 13.47% decrease from fiscal year 2014 as restated in Note 3.A.
- General revenues accounted for \$10,592,055 in revenue or 79.39% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,750,519 or 20.61% of total revenues of \$13,342,574.
- The District had \$13,926,517 in expenses related to governmental activities; \$2,750,519 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,592,055 were not adequate to provide for these programs.
- The District has two major governmental funds, the general fund and the bond retirement fund. The general fund had \$11,931,361 in revenues and \$11,910,520 in expenditures and other financing uses. During fiscal year 2015, the general fund's fund balance increased \$20,841 from a deficit of \$363,305 to a deficit of \$342,464.
- The bond retirement fund had \$464,794 in revenues and other financing sources and \$594,502 in expenditures. During fiscal year 2015, the bond retirement fund's fund balance decreased \$129,708 from \$872,182 to \$742,474.

Using the Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, administration, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The statement of net position and statement of activities can be found on pages 19 and 20 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 21-25.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 26 and 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-65 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 67 through 73 of this report.

The District as a Whole

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The table below provides a summary of the District's net position at June 30, 2015 and June 30, 2014.

	Net Position	
	Governmental Activities 2015	Restated Governmental Activities 2014
<u>Assets</u>		
Current and other assets	\$ 5,166,462	\$ 4,435,954
Capital assets, net	<u>21,762,850</u>	<u>22,751,399</u>
Total assets	<u>26,929,312</u>	<u>27,187,353</u>
<u>Deferred Outflows of Resources</u>		
Pensions	<u>933,494</u>	<u>730,937</u>
Total deferred outflows of resources	<u>933,494</u>	<u>730,937</u>
<u>Liabilities</u>		
Current liabilities	1,817,884	1,369,464
Long-term liabilities:		
Due within one year	393,359	523,588
Due in more than one year:		
Net pension liability	12,412,103	14,750,783
Other amounts	<u>4,540,321</u>	<u>4,797,684</u>
Total liabilities	<u>19,163,667</u>	<u>21,441,519</u>
<u>Deferred Inflows of Resources</u>		
Property taxes and PILOTs levied for next year	2,509,478	1,961,334
Payment in lieu of taxes levied for the next fiscal year	189,386	179,192
Pensions	<u>2,247,973</u>	<u>-</u>
Total deferred inflows of resources	<u>4,946,837</u>	<u>2,140,526</u>
<u>Net Position</u>		
Net investment in capital assets	17,589,400	18,367,622
Restricted	763,982	842,892
Unrestricted (deficit)	<u>(14,601,080)</u>	<u>(14,874,269)</u>
Total net position	<u>\$ 3,752,302</u>	<u>\$ 4,336,245</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

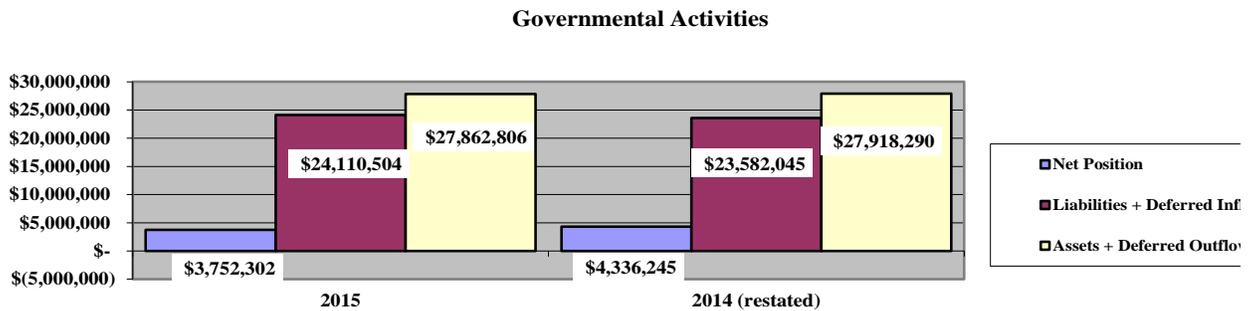
As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$18,356,091 to \$4,336,245.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$3,752,302.

At year-end, capital assets represented 80.81% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2015 was \$17,589,400. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$763,982, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$14,601,080.

The graph below presents the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2015 and June 30, 2014:



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The table below shows the change in net position for fiscal year 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

	Change in Net Position	
	Governmental	Restated
	Activities	Governmental
	<u>2015</u>	<u>2014</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,029,670	\$ 854,592
Operating grants and contributions	1,720,849	1,573,529
General revenues:		
Property taxes	2,966,099	2,785,545
Income taxes	691,445	136,794
Grants and entitlements	6,593,262	6,594,756
Payment in lieu of taxes	189,386	179,192
Investment earnings	2,486	1,586
Miscellaneous	<u>149,377</u>	<u>235,861</u>
 Total revenues	 <u>13,342,574</u>	 <u>12,361,855</u>

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Change in Net Position	
	Governmental	Restated
	Activities	Governmental
	<u>2015</u>	<u>2014</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,243,297	\$ 5,118,010
Special	1,921,615	1,797,037
Vocational	241,777	193,922
Other	1,607,935	1,686,265
Support services:		
Pupil	156,340	189,023
Instructional staff	192,587	173,785
Board of education	41,883	32,054
Administration	1,225,716	1,066,615
Fiscal	340,480	308,199
Operations and maintenance	1,453,338	1,390,921
Pupil transportation	546,470	529,558
Operations of non-instructional services:		
Food service operations	534,207	532,986
Other non-instructional services	430	6,435
Extracurricular activities	297,829	220,943
Interest and fiscal charges	<u>122,613</u>	<u>344,341</u>
Total expenses	<u>13,926,517</u>	<u>13,590,094</u>
Change in net position	(583,943)	(1,228,239)
Net position at beginning of year	<u>4,336,245</u>	<u>N/A</u>
Net position at end of year	<u>\$ 3,752,302</u>	<u>\$ 4,336,245</u>

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$730,937 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$523,112.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 13,926,517
Pension expense under GASB 68	(523,112)
2015 contractually required contributions	<u>816,376</u>
Adjusted 2015 program expenses	14,219,781
Total 2014 program expenses under GASB 27	<u>13,590,094</u>
Increase in program expenses not related to pension	<u>\$ 629,687</u>

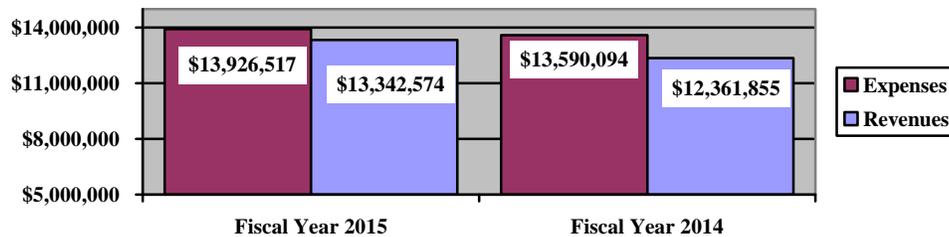
Net position of the District's governmental activities decreased \$583,943. Total governmental expenses of \$13,926,517 were offset by program revenues of \$2,750,519 and general revenues of \$10,592,055. Program revenues supported 19.75% of the total governmental expenses. Charges for services increased \$175,078 mainly due to an increase in open enrollment in fiscal year 2015. Income taxes increased \$554,651 during fiscal year 2015, which was a result of a full year of collections due to the passing of the District's levy in November 2013.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and unrestricted grants and entitlements. These revenue sources represent 76.83% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,014,624 or 64.73% of total governmental expenses for fiscal year 2015.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2015 and 2014:

Governmental Activities - Revenues and Expenses



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

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MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)**

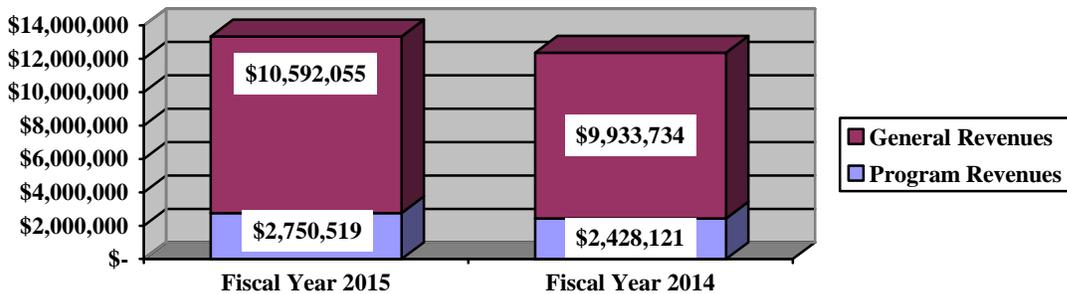
Governmental Activities

	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
Program expenses				
Instruction:				
Regular	\$ 5,243,297	\$ 4,406,090	\$ 5,118,010	\$ 4,419,033
Special	1,921,615	701,526	1,797,037	660,322
Vocational	241,777	136,140	193,922	136,734
Other	1,607,935	1,607,935	1,686,265	1,686,265
Support services:				
Pupil	156,340	156,340	189,023	189,023
Instructional staff	192,587	188,848	173,785	168,585
Board of education	41,883	41,883	32,054	32,054
Administration	1,225,716	1,207,183	1,066,615	1,052,005
Fiscal	340,480	340,480	308,199	308,199
Operations and maintenance	1,453,338	1,447,938	1,390,921	1,383,721
Pupil transportation	546,470	533,261	529,558	508,216
Operations of non-instructional services:				
Food service operations	534,207	98,099	532,986	123,810
Other non-instructional services	430	430	6,435	6,435
Extracurricular activities	297,829	187,232	220,943	143,230
Interest and fiscal charges	<u>122,613</u>	<u>122,613</u>	<u>344,341</u>	<u>344,341</u>
Total expenses	<u>\$ 13,926,517</u>	<u>\$ 11,175,998</u>	<u>\$ 13,590,094</u>	<u>\$ 11,161,973</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 76.01% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenues would support 80.25% of the total expenditures. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2015 and 2014.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The District's Funds

The District's governmental funds reported a combined fund balance of \$412,839, which is less than last year's total of \$539,538. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance (Deficit) June 30, 2015	Fund Balance (Deficit) June 30, 2014	Increase/ (Decrease)	Percentage Change
General	\$ (342,464)	\$ (363,305)	\$ 20,841	5.74 %
Bond retirement	742,474	872,182	(129,708)	(14.87) %
Other governmental	<u>(74,595)</u>	<u>30,661</u>	<u>(105,256)</u>	(343.29) %
Total	<u>\$ 325,415</u>	<u>\$ 539,538</u>	<u>\$ (214,123)</u>	(39.69) %

General Fund

The District's general fund balance increased \$20,841.

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

	2015 Amount	2014 Amount	Increase/ (Decrease)	Percentage Change
<u>Revenues</u>				
Property taxes	\$ 2,681,894	\$ 2,342,604	\$ 339,290	14.48 %
Income taxes	672,217	106,165	566,052	533.18 %
Payment in lieu of taxes	189,386	179,192	10,194	5.69 %
Tuition	699,649	598,384	101,265	16.92 %
Earnings on investments	2,486	1,444	1,042	72.16 %
Intergovernmental	7,462,137	7,315,449	146,688	2.01 %
Other revenues	<u>223,592</u>	<u>285,128</u>	<u>(61,536)</u>	(21.58) %
Total	<u>\$ 11,931,361</u>	<u>\$ 10,828,366</u>	<u>\$ 1,102,995</u>	10.19 %
<u>Expenditures</u>				
Instruction	\$ 7,698,423	\$ 7,225,062	\$ 473,361	6.55 %
Support services	3,942,157	3,280,768	661,389	20.16 %
Non-instructional services	430	435	(5)	(1.15) %
Extracurricular activities	<u>181,460</u>	<u>139,561</u>	<u>41,899</u>	30.02 %
Total	<u>\$ 11,822,470</u>	<u>\$ 10,645,826</u>	<u>\$ 1,176,644</u>	11.05 %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Overall revenues of the general fund increased \$1,102,995 or 10.19%. Property taxes increased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditors. The District recorded income taxes of \$672,217 during fiscal year 2015 which was an increase of \$566,052. This increase is a result of a full year of collections due to the passing of the District's levy in November 2013. Tuition revenues increased due to an increase in open enrollment in fiscal year 2015. Intergovernmental revenues increased \$146,688 due to an increase in basic foundation revenues.

Overall expenditures of the general fund increased 1,176,644 or 11.05%. The District's increase in instruction expenditures is a result of an increase in regular and special instruction. This can be attributed to an increase in the amount of accrued wages and benefits related to staff from the previous fiscal year. Support services expenditures increased 20.16% mainly due to higher administration and operations and maintenance expenditures.

Bond Retirement Fund

The District's bond retirement fund, had \$464,794 in revenues and other financing sources and \$594,502 in expenditures. During fiscal year 2015, the bond retirement fund's fund balance decreased \$129,708 from \$872,182 to \$742,474.

General Fund Budgeting Highlights

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

During the course of fiscal year 2015, the original budgeted revenues and other financing sources of \$10,964,763 were \$548,277 less than the final budgeted revenues and other financing sources of \$11,513,040. Actual revenues and other financing sources for fiscal 2015 were \$11,512,748. This represents a \$292 decrease from final budgeted revenues.

General fund original appropriations and other financing uses totaled \$10,710,863, which were \$856,576 less than final appropriations and other financing uses of \$11,567,439. The actual budget basis expenditures and uses for fiscal year 2015 totaled \$11,519,506, which is \$47,933 less than the final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$21,762,850 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The following table shows June 30, 2015 balances compared to June 30, 2014:

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

	Governmental Activities	
	2015	2014
Land	\$ 279,100	\$ 279,100
Land improvements	726,572	829,868
Building and improvements	20,490,342	21,338,223
Furniture and equipment	199,549	217,835
Vehicles	67,287	86,373
Total	\$ 21,762,850	\$ 22,751,399

The overall decrease in capital assets of \$988,549 is due to current year depreciation expense of \$1,275,171 exceeding additions during the current year of \$286,622.

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

Debt Administration

At June 30, 2015, the District had \$4,157,447 in general obligation bonds and energy conservation bonds outstanding. Of this total, \$296,704 is due within one year and \$3,860,743 is due in more than one year.

The following table summarizes the bonds and loans outstanding:

Outstanding Debt, at Year End

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
Capital appreciation bonds - series 2002	-	81,698
Accreted interest - series 2002	-	125,448
Capital appreciation bonds - series 2003	-	35,265
Accreted interest - series 2003	-	101,090
Capital appreciation bonds - auditorium	25,116	40,000
Accreted interest - auditorium	72,331	97,828
Current interest bonds - series 2014 refunding	3,070,000	3,080,000
HB264 Energy Conservation Bonds	990,000	1,050,000
Total	\$ 4,157,447	\$ 4,611,329

At June 30, 2015, the District's voted debt margin was \$9,996,420 and the unvoted debt margin was \$137,212.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Current Financial Related Activities

Funding

The District receives 60% of its operating revenues through the State's Foundation formula for school funding. The State's new funding formula for the next biennium FY2016 and FY2017 is projected to provide additional revenue to the District as unrestricted funds and restricted funds. Local property values have increased the tax base due to the large amount of agricultural use land (CAUV). In 2014, agricultural values increased by \$14M (from \$117M to \$131M) bringing the total valuation to just over \$137M. The District was fortunate to have passed a new earned income tax of .75% in November 2013. Fiscal 2016 will be the first year of full collection, which is anticipated to generate just over \$700,000 per year for operating expenditures.

Budget

Employee wage compensation and fringe benefits consume approximately 70% of the general fund budget. The district's health insurance premium cost is the single largest expense after wages. Control over the insurance expense near term will be vital for the overall financial wellbeing of the district. The school also contracts for personal services through purchased service contracts that are in addition to the wage costs. Supplies and materials are projected to be maintained. Needed capital purchases such as technology and buses are leased due to a limited cash position.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 857,527
Receivables:	
Property taxes	3,598,193
Income taxes.	358,558
Payment in lieu of taxes	189,386
Accounts.	28,982
Intergovernmental	126,706
Loans	865
Materials and supplies inventory.	1,372
Inventory held for resale.	4,873
Capital assets:	
Nondepreciable capital assets	279,100
Depreciable capital assets, net.	21,483,750
Capital assets, net.	21,762,850
Total assets.	26,929,312
 Deferred outflows of resources:	
Pension - STRS	740,127
Pension - SERS	193,367
Total deferred outflows of resources	933,494
 Liabilities:	
Accounts payable.	440,879
Accrued wages and benefits payable	1,102,083
Intergovernmental payable	105,048
Pension and postemployment benefits payable.	161,760
Accrued interest payable	8,114
Long-term liabilities:	
Due within one year.	393,359
Due in more than one year:	
Net pension liability (See Note 11)	12,412,103
Other amounts due in more than one year	4,540,321
Total liabilities	19,163,667
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	2,509,478
Payment in lieu of taxes levied for the next fiscal year	189,386
Pension - STRS.	1,902,547
Pension - SERS.	345,426
Total deferred inflows of resources	4,946,837
 Net position:	
Net investment in capital assets	17,589,400
Restricted for:	
Classroom facilities maintenance	9,578
Debt service.	681,435
State funded programs.	1,489
Federally funded programs	43,174
Student activities	27,772
Other purposes	534
Unrestricted (deficit)	(14,601,080)
Total net position.	\$ 3,752,302

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,243,297	\$ 762,321	\$ 74,886	\$ (4,406,090)
Special	1,921,615	-	1,220,089	(701,526)
Vocational	241,777	-	105,637	(136,140)
Other	1,607,935	-	-	(1,607,935)
Support services:				
Pupil.	156,340	-	-	(156,340)
Instructional staff	192,587	-	3,739	(188,848)
Board of education	41,883	-	-	(41,883)
Administration.	1,225,716	18,533	-	(1,207,183)
Fiscal.	340,480	-	-	(340,480)
Operations and maintenance	1,453,338	-	5,400	(1,447,938)
Pupil transportation.	546,470	-	13,209	(533,261)
Operation of non-instructional services:				
Food service operations	534,207	140,889	295,219	(98,099)
Other non-instructional services	430	-	-	(430)
Extracurricular activities.	297,829	107,927	2,670	(187,232)
Interest and fiscal charges	122,613	-	-	(122,613)
Total governmental activities	\$ 13,926,517	\$ 1,029,670	\$ 1,720,849	(11,175,998)
General revenues:				
Property taxes levied for:				
General purposes				2,661,116
Debt service.				304,983
Payments in lieu of taxes.				189,386
Income taxes levied for:				
General purposes				691,445
Grants and entitlements not restricted				
to specific programs				6,593,262
Investment earnings				2,486
Miscellaneous				149,377
Total general revenues				10,592,055
Change in net position				(583,943)
Net position at beginning of year (restated).				4,336,245
Net position at end of year.				\$ 3,752,302

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 90,686	\$ 667,428	\$ 99,413	\$ 857,527
Receivables:				
Property taxes.	3,296,153	302,040	-	3,598,193
Income taxes	358,558	-	-	358,558
Payment in lieu of taxes	189,386	-	-	189,386
Accounts	27,874	-	1,108	28,982
Interfund loans	81,350	-	-	81,350
Loans.	865	-	-	865
Intergovernmental.	10,697	-	116,009	126,706
Materials and supplies inventory.	-	-	1,372	1,372
Inventory held for resale.	-	-	4,873	4,873
Due from other funds	50,673	-	-	50,673
Total assets	<u>\$ 4,106,242</u>	<u>\$ 969,468</u>	<u>\$ 222,775</u>	<u>\$ 5,298,485</u>
Liabilities:				
Accounts payable	\$ 423,260	\$ -	\$ 17,619	\$ 440,879
Accrued wages and benefits payable	1,003,846	-	98,237	1,102,083
Compensated absences payable	41,560	-	-	41,560
Intergovernmental payable	72,087	-	32,961	105,048
Pension and postemployment benefits payable.	156,309	-	5,451	161,760
Interfund loans payable.	-	-	81,350	81,350
Due to other funds	-	-	50,673	50,673
Total liabilities.	<u>1,697,062</u>	<u>-</u>	<u>286,291</u>	<u>1,983,353</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	2,301,088	208,390	-	2,509,478
Payment in lieu of taxes levied for the next fiscal year.	189,386	-	-	189,386
Delinquent property tax revenue not available.	200,965	18,604	-	219,569
Income tax revenue not available	49,857	-	-	49,857
Intergovernmental revenue not available.	10,348	-	11,079	21,427
Total deferred inflows of resources	<u>2,751,644</u>	<u>226,994</u>	<u>11,079</u>	<u>2,989,717</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	1,372	1,372
Restricted:				
Debt service	-	742,474	-	742,474
Classroom facilities maintenance	-	-	9,578	9,578
Special education	-	-	6,354	6,354
Targeted academic assistance	-	-	32,095	32,095
Other purposes.	-	-	2,023	2,023
Extracurricular.	-	-	27,772	27,772
Committed:				
Capital improvements	-	-	191	191
Assigned:				
Student and staff support.	24,514	-	-	24,514
Unassigned (deficit)	(366,978)	-	(153,980)	(520,958)
Total fund balances (deficit)	<u>(342,464)</u>	<u>742,474</u>	<u>(74,595)</u>	<u>325,415</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,106,242</u>	<u>\$ 969,468</u>	<u>\$ 222,775</u>	<u>\$ 5,298,485</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

Total governmental fund balances		\$	325,415
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			21,762,850
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	219,569	
Income taxes receivable		49,857	
Intergovernmental receivable		21,427	
Total		21,427	290,853
Unamortized premiums on bonds issued are not recognized in the funds.			(88,334)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(8,114)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		933,494	
Deferred inflows of resources - pension		(2,247,973)	
Net pension liability		(12,412,103)	
Total		(12,412,103)	(13,726,582)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(3,167,447)	
Energy conservation bonds		(990,000)	
Compensated absences		(646,339)	
Total		(4,803,786)	(4,803,786)
Net position of governmental activities		\$	<u>3,752,302</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 2,681,894	\$ 325,181	\$ 2,078	\$ 3,009,153
Income taxes	672,217	-	-	672,217
Payment in lieu of taxes	189,386	-	-	189,386
Tuition	699,649	-	-	699,649
Earnings on investments	2,486	-	-	2,486
Charges for services	-	-	140,889	140,889
Extracurricular	18,533	-	107,927	126,460
Rental income	23,408	-	-	23,408
Contributions and donations	-	-	8,223	8,223
Other local revenues	181,651	-	6,990	188,641
Intergovernmental - state	7,389,487	51,563	25,414	7,466,464
Intergovernmental - federal	72,650	-	826,230	898,880
Total revenues	<u>11,931,361</u>	<u>376,744</u>	<u>1,117,751</u>	<u>13,425,856</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,288,994	-	73,898	4,362,892
Special	1,582,120	-	318,741	1,900,861
Vocational	217,340	-	-	217,340
Other	1,609,969	-	-	1,609,969
Support services:				
Pupil	160,835	-	-	160,835
Instructional staff	145,613	-	2,803	148,416
Board of education	42,286	-	-	42,286
Administration	1,246,433	-	-	1,246,433
Fiscal	333,252	9,283	434	342,969
Operations and maintenance	1,480,718	-	222,433	1,703,151
Pupil transportation	533,020	-	-	533,020
Operation of non-instructional services:				
Food service operations	-	-	463,905	463,905
Other operation of non-instructional	430	-	-	430
Extracurricular activities	181,460	-	120,981	302,441
Facilities acquisition and construction	-	-	19,812	19,812
Debt service:				
Principal retirement	-	485,000	-	485,000
Interest and fiscal charges	-	100,219	-	100,219
Total expenditures	<u>11,822,470</u>	<u>594,502</u>	<u>1,223,007</u>	<u>13,639,979</u>
Excess (deficiency) of revenues over (under) expenditures	<u>108,891</u>	<u>(217,758)</u>	<u>(105,256)</u>	<u>(214,123)</u>
Other financing sources (uses):				
Transfers in	-	88,050	-	88,050
Transfers (out)	(88,050)	-	-	(88,050)
Total other financing sources (uses)	<u>(88,050)</u>	<u>88,050</u>	<u>-</u>	<u>-</u>
Net change in fund balances	20,841	(129,708)	(105,256)	(214,123)
Fund balances (deficit) at beginning of year	<u>(363,305)</u>	<u>872,182</u>	<u>30,661</u>	<u>539,538</u>
Fund balances (deficit) at end of year	<u>\$ (342,464)</u>	<u>\$ 742,474</u>	<u>\$ (74,595)</u>	<u>\$ 325,415</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds	\$	(214,123)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 286,622	
Current year depreciation	(1,275,171)	
Total		(988,549)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(43,054)	
Income taxes	19,228	
Intergovernmental	(65,787)	
Total		(89,613)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
		485,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	244	
Accreted interest on capital appreciation bonds	(31,118)	
Amortization of bond premiums	8,480	
Total		(22,394)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		816,376
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(523,112)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(47,528)
Change in net position of governmental activities	\$	(583,943)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,174,444	\$ 2,471,630	\$ 2,439,005	\$ (32,625)
Income taxes.	501,331	500,682	439,375	(61,307)
Tuition.	680,881	780,000	699,649	(80,351)
Earnings on investments	751	750	2,184	1,434
Extracurricular.	-	-	10	10
Rental income	3,004	3,000	23,408	20,408
Other local revenues	235,805	349,690	370,449	20,759
Intergovernmental - state	7,268,417	7,307,288	7,418,923	111,635
Intergovernmental - federal	50,065	50,000	72,650	22,650
Total revenues	<u>10,914,698</u>	<u>11,463,040</u>	<u>11,465,653</u>	<u>2,613</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,288,927	4,564,504	4,224,752	339,752
Special.	958,840	1,022,436	1,412,085	(389,649)
Vocational.	197,946	197,306	206,028	(8,722)
Other.	1,573,863	1,939,709	1,586,704	353,005
Support services:				
Pupil.	330,777	329,709	169,407	160,302
Instructional staff	212,009	211,324	163,353	47,971
Board of education	41,462	41,328	42,341	(1,013)
Administration.	903,174	912,260	1,180,035	(267,775)
Fiscal	286,446	287,374	315,930	(28,556)
Operations and maintenance.	1,165,085	1,161,321	1,369,014	(207,693)
Pupil transportation	530,023	528,310	508,811	19,499
Other non-instructional services	-	-	430	(430)
Extracurricular activities.	146,934	146,459	169,033	(22,574)
Total expenditures	<u>10,635,486</u>	<u>11,342,040</u>	<u>11,347,923</u>	<u>(5,883)</u>
Excess of revenues over expenditures.	<u>279,212</u>	<u>121,000</u>	<u>117,730</u>	<u>(3,270)</u>
Other financing sources (uses):				
Transfers (out).	-	(75,133)	(89,347)	(14,214)
Advances in.	50,065	50,000	47,095	(2,905)
Advances (out)	(75,377)	(150,266)	(82,236)	68,030
Total other financing sources (uses)	<u>(25,312)</u>	<u>(175,399)</u>	<u>(124,488)</u>	<u>50,911</u>
Net change in fund balance	253,900	(54,399)	(6,758)	47,641
Fund balance at beginning of year	63,583	63,583	63,583	-
Prior year encumbrances appropriated	17,439	17,439	17,439	-
Fund balance at end of year	<u>\$ 334,922</u>	<u>\$ 26,623</u>	<u>\$ 74,264</u>	<u>\$ 47,641</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 401,618	\$ 33,931
Cash and cash equivalents in segregated accounts	401,319	-
Accounts receivable	-	188
	802,937	34,119
Total assets.	802,937	\$ 34,119
Liabilities:		
Due to students.	-	\$ 33,254
Loans payable	-	865
	-	34,119
Total liabilities.	-	\$ 34,119
Net position:		
Held in trust for scholarships	802,937	
	802,937	
Total net position.	\$ 802,937	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 9,923
Gifts and contributions	768,171
Total additions	778,094
 Deductions:	
Scholarships awarded	23,400
Change in net position	754,694
Net position at beginning of year	48,243
Net position at end of year	\$ 802,937

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 50 non-certified, 73 certified employees and 5 administrators to provide services to approximately 1,115 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units.

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

JOINTLY GOVERNED ORGANIZATIONS

Meta Solutions

The District is a participant in Meta Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). Meta Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. Meta Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2015, the District paid Meta Solutions \$15,905 for services. Financial information can be obtained from Scott Armstrong, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Tri-Rivers Career Center

The Tri-Rivers Career Center (the "Center") is a distinct political subdivision of the State of Ohio. The Center operates under the direction of a Board consisting of one representative from each of the participating school district's Board of Education, one representative from the Mid-Ohio Educational Service Center and three representatives from the North Central Ohio Educational Service Center. The Center Board of Education possesses its own budgeting and taxing authority. Financial information is available from Steve Earnest, Treasurer, at 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

Cardington-Lincoln Joint Recreation Board

The District and the Village of Cardington participate in a Joint Recreation Board, created under the provisions of Ohio Revised Code, Sections 755.12 to 755.18. The Joint Recreation Board consists of two representatives from each participant, and one appointed by the four members. The degree of control exercised by the District is limited to its representation on the Board. Financial information is available from the Treasurer, P.O. Box 10, Cardington, Ohio 43315.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

RELATED ORGANIZATION

Cardington-Lincoln School District Public Library

The Cardington-Lincoln School District Public Library is a distinct subdivision of the State of Ohio, created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Cardington-Lincoln School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority for the Library, its role is limited to a ministerial function. The determination to request approval of a tax, including its rate and the purpose, are discretionary decisions made solely by the Board of Trustees. Financial information is available from the Cardington Public Library, Director/Fiscal Officer, at 128 East Main Street, Cardington, Ohio 44315.

INSURANCE PURCHASING POOLS

Ohio School Boards Association and Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) and Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

The following are the District's major governmental funds:

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, payment in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2015 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

2. By no later than January 20, the Board-adopted budget is filed with the Morrow County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2015.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund budgetary statement comparison at the fund and function level. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2015. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

F. Cash and Investments

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

Cash and Cash Equivalents being held separately than the District's pooled monies are recorded as "Cash and Cash Equivalents in Segregated Accounts".

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$2,486, which includes \$1,260 assigned from other funds.

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

G. Inventory

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

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

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

H. Capital Assets

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from negative cash balances at June 30 are classified as “due to/from other funds.” These amounts are eliminated in the governmental activities column on the statement of net position. On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables”. These amounts are eliminated in the governmental activities column on the statement of net position. Receivables and payables resulting from short-term interfund loans between governmental funds and agency funds are classified as “loans receivable/payable” on the statement of net position, balance sheet, and statement of fiduciary net position.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2015, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2015 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

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

M. Net Position

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

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

Q. Unamortized Bond Premiums

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

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

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2015, the District had neither type of transaction.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 11 to the financial statements, and added required supplementary information which is presented on pages 62 - 68.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 18,356,091
Deferred outflows - payments subsequent to measurement date	730,937
Net pension liability	(14,750,783)
Restated net position at July 1, 2014	\$ 4,336,245

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

B. Deficit Fund Balances

Fund balances at June 30, 2015 included the following individual fund deficit:

<u>Nonmajor fund</u>	<u>Deficit</u>
Food service	\$ 152,608

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

A. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$1,293,076. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$1,075,699 of the District's bank balance of \$1,325,669 was exposed to custodial credit risk as discussed below, while \$250,000 was covered by the FDIC.

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

B. Investments

As of June 30, 2015, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
Mutual Funds	\$ 401,128	\$ 401,128
U.S. Government money market	191	191
Total	<u>\$ 401,319</u>	<u>\$ 401,319</u>

The weighted average maturity of the investments is 1 day.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The District's investments in federal securities were rated AA+ and AAA by Standard & Poor's and Moody's Investor Services, respectively. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The negotiable CDs were not rated.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and U.S. Government money markets are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015.

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Mutual funds	\$ 401,128	99.95
U.S. Government money market	191	0.05
Total	<u>\$ 401,319</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,293,076
Investments	<u>401,319</u>
Total	<u>\$ 1,694,395</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 857,527
Private-purpose trust funds	802,937
Agency funds	<u>33,931</u>
Total	<u>\$ 1,694,395</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2015, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 81,350</u>

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

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

- B.** Interfund transfers for the year ended June 30, 2015, consisted of the following, as reported on the fund financial statements:

Transfers to bond retirement fund from:

General fund	<u>\$ 88,050</u>
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Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers made in fiscal year 2015 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide statement of activities.

- C.** Loans between governmental funds and the agency fund are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at fiscal year-end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General fund	Agency fund	<u>\$ 865</u>

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

- D.** Interfund balances at June 30, 2015, as reported on the fund statements consist of \$50,673 due to the general fund from various nonmajor governmental funds. The primary purpose of the due to/from other funds is to cover negative cash in those funds. The interfund balances will be repaid once the anticipated revenues are received.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2015 are reported on the statement of net position.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Morrow and Marion Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$794,100 in the general fund and \$75,046 in the bond retirement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$551,211 in the general fund, \$98,071 in the bond retirement fund and \$16,127 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 117,994,410	95.87	\$ 131,958,190	96.17
Public utility personal	<u>5,083,660</u>	<u>4.13</u>	<u>5,253,610</u>	<u>3.83</u>
Total	<u>\$ 123,078,070</u>	<u>100.00</u>	<u>\$ 137,211,800</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$31.19		\$29.65	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015 consisted of property taxes, income taxes, payment in lieu of taxes, accounts, intergovernmental grants and entitlements, and loans. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

Governmental activities:

Property taxes	\$ 3,598,193
Income taxes	358,558
Payment in lieu of taxes	189,386
Accounts	28,982
Intergovernmental	126,706
Loans	<u>865</u>
Total	<u>\$ 4,302,690</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>06/30/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/15</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 279,100	\$ -	\$ -	\$ 279,100
Total capital assets, not being depreciated	<u>279,100</u>	<u>-</u>	<u>-</u>	<u>279,100</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,332,106	-	-	2,332,106
Buildings and improvements	36,323,372	274,101	-	36,597,473
Furniture and equipment	738,035	12,521	-	750,556
Vehicles	<u>984,600</u>	<u>-</u>	<u>-</u>	<u>984,600</u>
Total capital assets, being depreciated	<u>40,378,113</u>	<u>286,622</u>	<u>-</u>	<u>40,664,735</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,502,238)	(103,296)	-	(1,605,534)
Buildings and improvements	(14,985,149)	(1,121,982)	-	(16,107,131)
Furniture and equipment	(520,200)	(30,807)	-	(551,007)
Vehicles	<u>(898,227)</u>	<u>(19,086)</u>	<u>-</u>	<u>(917,313)</u>
Total accumulated depreciation	<u>(17,905,814)</u>	<u>(1,275,171)</u>	<u>-</u>	<u>(19,180,985)</u>
Governmental activities capital assets, net	<u>\$ 22,751,399</u>	<u>\$ (988,549)</u>	<u>\$ -</u>	<u>\$ 21,762,850</u>

The District's Intermediate School was closed for the 2013-2104 and 2014-2015 school years. It is management's intent to re-open this school building once funding become available. See Note 19.

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,010,725
Special	39,417
Vocational	31,474
<u>Support services:</u>	
Instructional staff	44,330
Administration	29,125
Fiscal	1,001
Operations and maintenance	13,731
Pupil transportation	19,086
Extracurricular activities	6,224
Food service operation	<u>80,058</u>
Total depreciation expense	<u>\$ 1,275,171</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS

A. Summary of Long-Term Obligations

During fiscal year 2015, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2014 have been restated as described in Note 3.A.

	<u>Interest Rate</u>	<u>Restated Balance 06/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/15</u>	<u>Amounts Due in One Year</u>
Governmental activities:						
<u>G.O. Bond - Series 2002</u>						
Capital appreciation bonds		\$ 81,698	\$ -	\$ (81,698)	\$ -	\$ -
Accreted interest		125,448	7,854	(133,302)	-	-
<u>G.O. Bond - Series 2003</u>						
Capital appreciation bonds		35,265	-	(35,265)	-	-
Accreted interest		101,090	8,645	(109,735)	-	-
<u>G.O. Bond - Auditorium</u>						
Capital appreciation bonds		40,000	-	(14,884)	25,116	13,275
Accreted interest		97,828	14,619	(40,116)	72,331	38,429
<u>G.O. Bond - Series 2014 Refunding</u>						
Current interest	1.50-3.00%	<u>3,080,000</u>	<u>-</u>	<u>(10,000)</u>	<u>3,070,000</u>	<u>180,000</u>
Total general obligation bonds payable		<u>3,561,329</u>	<u>31,118</u>	<u>(425,000)</u>	<u>3,167,447</u>	<u>231,704</u>
<u>Other long-term obligations:</u>						
Energy conservation bond	2.75%	1,050,000	-	(60,000)	990,000	65,000
Net pension liability		14,750,783	-	(2,338,680)	12,412,103	-
Compensated absences		<u>613,129</u>	<u>153,311</u>	<u>(78,541)</u>	<u>687,899</u>	<u>96,655</u>
Total other long-term obligations		<u>16,413,912</u>	<u>153,311</u>	<u>(2,477,221)</u>	<u>14,090,002</u>	<u>161,655</u>
Total governmental activities		<u>\$ 19,975,241</u>	<u>\$ 184,429</u>	<u>\$ (2,902,221)</u>	17,257,449	<u>\$ 393,359</u>
				Add: unamortized premium on bonds	88,334	
				Total on statement of net position	<u>\$ 17,345,783</u>	

Net Pension Liability: See Note 11 for details.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. General Obligation Bonds

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for on the statement of net position. Payments of principal and interest relating to these bonds are recorded as expenditures in the bond retirement fund.

Series 2002 G.O. Bonds

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

This issue is comprised of both current interest bonds, par value \$1,670,000, and capital appreciation bonds, par value \$259,996. The interest rates on the current interest bonds ranged from 2.40% to 4.15%. There are no further obligations outstanding on the current interest bonds. The remaining capital appreciation bonds matured on December 1, 2014.

Series 2003 G.O. Bonds

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

This issue is comprised of term current interest bonds, par value \$3,425,000, and capital appreciation bonds, par value \$74,998. The remaining capital appreciation bonds matured December 1, 2014.

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

Auditorium Bonds

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

This issue is comprised of both current interest bonds, par value \$1,125,000 and capital appreciation bonds, par value \$40,000. The interest rate on the current interest bonds is 11.768%. The capital appreciation bonds mature each December 1, 2015 (effective interest 13.15%), and December 1, 2016 (effective interest 13.07%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$165,000. Total accreted interest of \$72,331 has been included in the statement of net position at June 30, 2015.

Series 2014 Refunding Bonds

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

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

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

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

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 180,000	\$ 72,150	\$ 252,150	\$ 13,275	\$ 41,725	\$ 55,000
2017	180,000	69,450	249,450	11,841	43,159	55,000
2018	250,000	66,225	316,225	-	-	-
2019	260,000	61,750	321,750	-	-	-
2020	265,000	56,500	321,500	-	-	-
2021 - 2025	1,505,000	177,425	1,682,425	-	-	-
2026 - 2027	430,000	9,000	439,000	-	-	-
Total	<u>\$ 3,070,000</u>	<u>\$ 512,500</u>	<u>\$ 3,582,500</u>	<u>\$ 25,116</u>	<u>\$ 84,884</u>	<u>\$ 110,000</u>

C. Energy Conservation Bonds

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	Energy Conservation Bonds		
	Principal	Interest	Total
2016	\$ 65,000	\$ 26,331	\$ 91,331
2017	65,000	24,543	89,543
2018	70,000	22,688	92,688
2019	70,000	20,762	90,762
2020	70,000	18,838	88,838
2021 - 2025	390,000	62,975	452,975
2026 - 2028	<u>260,000</u>	<u>10,862</u>	<u>270,862</u>
Total	<u>\$ 990,000</u>	<u>\$ 186,999</u>	<u>\$ 1,176,999</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$9,996,420 (including available funds of \$742,474) and an unvoted debt margin of \$137,212.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2015, the District was insured by the Catlin Indemnity Company. The program provides coverage for the group through excess liability for \$250,000,000. The following is the District's insurance coverage obtained through the group purchasing program:

Total policy coverage - includes the following:

Blanket Building and Personal Property limit (\$1,000 deductible)	
Equipment Breakdown (\$1,000 deductible)	\$46,298,977
Inland Marine (\$500 deductible)	\$438,023
Auto Liability & Uninsured/underinsured motorist	\$1,000,000
Medical payments	\$5,000
Public Employee Dishonesty (\$500 deductible)	\$50,000
General school district liability	\$2,000,000
Per occurrence	\$1,000,000
Umbrella Coverage	\$2,000,000
Per occurrence	\$1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

B. OSBA Workers' Compensation Group Rating Plan

For fiscal year 2015, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

C. Group Health and Dental Insurance

The District offers group life insurance and accidental death and dismemberment insurance to all employees through United Health Specialties Life Insurance Company. The District offers employee group medical/surgical benefits through United Healthcare. Depending upon the plan chosen, the employees share a portion of the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental insurance is offered by the District to all employees through United Healthcare Insurance Company. Vision insurance is offered by the District through Vision Service Plan. Regardless of the plan utilized by the employees, all group benefit plans are traditionally funded, and the District does not retain any risk of loss.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 10 - RISK MANAGEMENT - (Continued)

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$175,253 for fiscal year 2015. Of this amount \$19,920 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

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

The District's contractually required contribution to STRS was \$641,123 for fiscal year 2015. Of this amount, \$105,052 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,128,278	\$ 10,283,825	\$ 12,412,103
Proportion of the net pension liability	0.04205300%	0.04227945%	
Pension expense	\$ 124,197	\$ 398,915	\$ 523,112

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 18,114	\$ 99,004	\$ 117,118
District contributions subsequent to the measurement date	<u>175,253</u>	<u>641,123</u>	<u>816,376</u>
Total deferred outflows of resources	<u>\$ 193,367</u>	<u>\$ 740,127</u>	<u>\$ 933,494</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 345,426</u>	<u>\$ 1,902,547</u>	<u>\$ 2,247,973</u>
Total deferred inflows of resources	<u>\$ 345,426</u>	<u>\$ 1,902,547</u>	<u>\$ 2,247,973</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$816,376 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$ (81,828)	\$ (450,886)	\$ (532,714)
2017	(81,828)	(450,886)	(532,714)
2018	(81,828)	(450,886)	(532,714)
2019	<u>(81,828)</u>	<u>(450,885)</u>	<u>(532,713)</u>
Total	<u>\$ (327,312)</u>	<u>\$ (1,803,543)</u>	<u>\$ (2,130,855)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 3,036,421	\$ 2,128,278	\$ 1,364,452

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 14,722,417	\$ 10,283,825	\$ 6,530,270

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$22,612.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$31,741, \$24,433, and \$22,170, respectively. For fiscal year 2015, 89.84 percent has been contributed, with the balance being reported as pension and postemployment benefits payable/intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$43,884, and \$50,908 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (6,758)
Net adjustment for revenue accruals	447,185
Net adjustment for expenditure accruals	(401,286)
Net adjustment for other financing sources/(uses)	36,417
Funds budgeted elsewhere	(1,771)
Adjustment for encumbrances	34,478
GAAP basis	\$ 108,265

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

NOTE 14 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

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MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 14 - CONTINGENCIES - (Continued)

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 15 - STATUTORY RESERVES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	186,054
Current year offsets	(21,194)
Prior year offset from bond proceeds	<u>(164,860)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

The District had current year offsets that reduced the capital improvements set-aside amount to zero. During fiscal years 2002 and 2003, the District issued a total of \$6,595,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$5,473,319 at June 30, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 16 - COMMITMENTS

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 16,089
Nonmajor governmental funds	<u>6,191</u>
Total	<u>\$ 22,280</u>

NOTE 17 - CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY

The District previously acted as sponsor for the Cardington-Lincoln Local Digital Academy (the "Academy"). Due to a lack of grant funding and the expectations of the operation of the Academy that would have resulted in the ineffective spending and an overuse of personnel, the Academy ceased operations as of June 30, 2014 upon the expiration of the Sponsorship Contract.

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

As of June 30, 2015, the Academy has a remaining cash balance of \$171,490 which is being used to cover closeout costs. The District is administering the close out procedures of the Academy. The remaining cash balance still needs to be paid to the Ohio Department of Education by the Academy. The Ohio Department of Education will then redistribute this balance to the home school districts of the students who were enrolled at the Academy at the time it ceased operations.

NOTE 18 – FISCAL CAUTION

The District was placed in fiscal caution on January 17, 2016 by the Department of Education (ODE). On March 17, 2016, the District outlined a plan to address the fiscal caution. As a result, the District will make reductions in personnel and supplies expenditures. The District also plans on issuing tax anticipation notes which will cover any year end cash balance deficits.

NOTE 19 – SUBSEQUENT EVENTS

The District entered into a five-year lease agreement with the Tomorrow Center Community School on July 3, 2015 for use of the District's Intermediate School. The rental income for the District will be \$24,500 per month.

In addition, the District has entered into an agreement with the Tomorrow Center Community School to become the sponsor of the community school for the period of July 1, 2015 through June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.04205300%	0.04205300%
District's proportionate share of the net pension liability	\$ 2,128,278	\$ 2,500,757
District's covered-employee payroll	\$ 1,221,962	\$ 1,366,936
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	182.95%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.04227945%	0.04227945%
District's proportionate share of the net pension liability	\$ 10,283,825	\$ 12,250,026
District's covered-employee payroll	\$ 4,319,792	\$ 5,090,754
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	240.63%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 175,253	\$ 169,364	\$ 189,184	\$ 180,451
Contributions in relation to the contractually required contribution	<u>(175,253)</u>	<u>(169,364)</u>	<u>(189,184)</u>	<u>(180,451)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,329,689	\$ 1,221,962	\$ 1,366,936	\$ 1,341,643
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 182,563	\$ 192,283	\$ 137,868	\$ 129,621	\$ 133,054	\$ 127,375
<u>(182,563)</u>	<u>(192,283)</u>	<u>(137,868)</u>	<u>(129,621)</u>	<u>(133,054)</u>	<u>(127,375)</u>
<u>\$ -</u>					
\$ 1,452,371	\$ 1,420,111	\$ 1,401,098	\$ 1,319,969	\$ 1,245,824	\$ 1,203,922
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 641,123	\$ 561,573	\$ 661,798	\$ 618,294
Contributions in relation to the contractually required contribution	<u>(641,123)</u>	<u>(561,573)</u>	<u>(661,798)</u>	<u>(618,294)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,579,450	\$ 4,319,792	\$ 5,090,754	\$ 4,756,108
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 653,541	\$ 670,240	\$ 677,706	\$ 637,276	\$ 612,202	\$ 575,492
<u>(653,541)</u>	<u>(670,240)</u>	<u>(677,706)</u>	<u>(637,276)</u>	<u>(612,202)</u>	<u>(575,492)</u>
<u>\$ -</u>					
\$ 5,027,238	\$ 5,155,692	\$ 5,213,123	\$ 4,902,123	\$ 4,709,246	\$ 4,426,862
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 29,085	\$ 29,085
Cash Assistance:			
School Breakfast Program	10.553	60,972	60,972
National School Lunch Program	10.555	200,138	200,138
Total Nutrition Cluster		<u>290,195</u>	<u>290,195</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>290,195</u>	<u>290,195</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	172,989	143,710
Special Education Cluster:			
Special Education Grants to States	84.027	219,693	186,545
Special Education Preschool Grants	84.173	2,179	1,089
Total Special Education Cluster		<u>221,872</u>	<u>187,634</u>
ARRA - Race to the Top Incentive Grants	84.395	10,341	5,000
Title II-A -Improving Teacher Quality	84.367	31,904	62,409
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>437,106</u>	<u>398,753</u>
TOTAL		<u>\$ 727,301</u>	<u>\$ 688,948</u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cardington-Lincoln Local School District, Morrow County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 19, 2016, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. We also noted the District was placed in fiscal caution on January 17, 2016 by the Ohio Department of Education.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-002 and 2015-003.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

April 19, 2016



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Cardington-Lincoln Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Cardington-Lincoln Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Cardington-Lincoln Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State
Columbus, Ohio

April 19, 2016

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<u>Nutrition Cluster:</u> School Breakfast Program - CFDA #10.555, National School Lunch Program - CFDA #10.553 <u>Special Education Cluster:</u> Special Education Grants to States – CFDA #84.027, Special Education Preschool Grants – CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

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

FINDING NUMBER 2015-001

Financial Reporting – Material Weakness

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

The following audit adjustments were made to the District's financial statements and accounting records, where applicable, to properly reflect all financial activity identified as of June 30, 2015:

1. In the Private Purpose Trust Fund, the District failed to post a receipt related to the Margaret Miller Scholarship Fund. Cash and Cash Equivalents in Segregated Accounts and Gifts and Contributions were increased by \$401,319 to account for this receipt.
2. Unrecorded liabilities were identified as of 06/30/15 in the Governmental Activities and General Fund. To account for the unrecorded liabilities, Special Instruction increased by \$37,355, Fiscal increased by \$1,600, Operation and Maintenance increased by \$48,469, and Accounts Payable increased by \$87,424.

In addition, casino receipts totaling \$55,797 were posted as Miscellaneous instead of Grants and Entitlements not Restricted to Specific Programs in the Governmental Activities and as Other Local Revenue instead of Intergovernmental – State in the General Fund. This was not adjusted on the financial statements.

Although the District has implemented various controls over financial reporting, the identified of audit adjustments suggests controls may not be effective or operating as management intended. By not properly accounting for all financial activity, inaccurate financial reports could be disseminated to the governing board and management, as well as, financial statement readers.

The audit adjustments and reclassification identified during the audit should be reviewed by the Treasurer to prevent similar errors from being reported improperly on the financial statements in subsequent years. In addition, the Board of Education should review the financial statements and note disclosures to help identify and correct errors and omissions.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2015-002

Illegal Expenditure of Public Funds – Finding for Recovery Repaid Under Audit

The negotiated agreement between Cardington-Lincoln Faculty Association and the Cardington-Lincoln Local Board of Education effective September 1, 2014 through August 31, 2017, Article 23H - Insurance, states that any employee whose spouse is currently eligible for medical insurance benefits may elect to opt-out of family medical coverage with the School District. If the employee elects to opt-out of coverage prior to September 30, 2014, he/she will receive a one-time bonus in the amount of 35% of the Board share of the annual family medical insurance premium (amount not to exceed \$7,500 per employee) to be paid in two installments.

Scott Osborne, Treasurer, resigned effective July 31, 2015. Mr. Osborne had insurance coverage through the District. However, he cancelled his coverage on June 1, 2015, resulting in one month in which Mr. Osborne did not receive insurance benefits from the District. He was paid an additional \$997 through payroll direct deposit in lieu of receiving insurance benefits. The District also paid \$14 for the employer share of Medicare (1.45%). Mr. Osborne did not obtain approval or authorization for this payment.

The agreement states that one must opt out of the insurance by September 30, 2104 to be eligible to receive the opt-out payment. Because Mr. Osborne did not opt-out by the deadline outlined in the negotiated agreement, he was not eligible or authorized to receive these benefits.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code §117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Scott Osborne and his bonding company, the Travelers Casualty and Surety Company of America, in the amount of \$1,011, and in favor of the Cardington-Lincoln Local School District's General Fund.

The District received payment of \$1,011 (receipt #17053) from Mr. Osborne, which was receipted into the General Fund on March 16, 2016.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2015-003

Illegal Expenditure of Public Funds – Finding for Recovery Repaid Under Audit

The negotiated agreement between Cardington-Lincoln Faculty Association and the Cardington-Lincoln Local Board of Education effective September 1, 2014 through August 31, 2017, **Article 23G - Insurance**, states that any employee hired after July 1, 2014 shall notify the Board of his/her eligibility for medical insurance coverage by his/her spouse. If the spouse is eligible for family medical insurance coverage, the employee must take that coverage. Upon proof of insurance, the employee will receive an opt-out bonus in the amount of 35% (amount not to exceed \$3,750) of the amount of the Board's share of the family medical insurance premium to be paid in two installments.

Article 23H of the Negotiated Agreement between the Cardington-Lincoln Faculty Association and the Cardington-Lincoln Local Board of Education effective September 1, 2014 through August 31, 2017 states:

Any employee whose spouse is currently eligible for medical insurance benefits may elect to opt-out of family medical coverage with the school district. If the employee elects to opt-out of coverage prior to September 30, 2014, he/she will receive a one-time bonus in the amount of 35% of the Board share annual family medical insurance premium (amount not to exceed \$7,500 per employee) to be paid in two installments.

If the employee elects to enroll in single coverage insurance, he/she will receive a one-time bonus in the amount of 35% (amount not to exceed \$3,000) of the Board share of the single insurance premium.

In subsequent years, an opt-out bonus will be provided as follows: The total district opt-out bonus amount will be determined by the Treasurer calculating the amount of district savings by bargaining unit members who opt-out of medical insurance benefits for that year for each plan (family and single).

All teacher bargaining until members who are eligible for insurance and who are not enrolled will receive an amount equal to 35% of the savings calculated by the Treasurer under each plan that is equally divided amount those eligible members.

Determination of the opt-out savings amount will only refer to those employees who were eligible, received insurance, and opted-out prior to September 30, 2014.

Heather Hale was approved for hire in the Cardington-Lincoln School District June 23, 2014 minutes as a preschool teacher for the 2014-2015 school year. Under **Article 23G** of the Negotiated Agreement, Ms. Hale received an insurance opt-out payment totaling \$3,750 through payroll direct deposit.

Under **Article 23H** of the Negotiated Agreement, Ms. Hale was eligible for family coverage health insurance; however, elected to enroll in single-coverage effective September 1, 2014 at a District savings of \$841 per month. (Monthly premium for family coverage of \$1,424 less monthly premium for single coverage of \$583 and annual savings of \$10,092 savings to the District)

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2015-003 (Continued)

Illegal Expenditure of Public Funds – Finding for Recovery Repaid Under Audit (Continued)

Because Ms. Hale was hired prior to July 1, 2014 and elected single coverage for health insurance, **Article G** did not apply to her and she fell under **Article H** of the Negotiated Agreement. Because she was not eligible to receive the opt-out payment of \$3,750 and was limited under **Article H** to a maximum of \$3,000, she was over paid by \$750. The District also paid \$10 for the employer share of Medicare (1.45%) In accordance with the foregoing facts and pursuant to **Ohio Rev. Code §117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Heather Hale and Scott Osborne, Treasurer, and his bonding company, the Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$760, and in favor of the Cardington-Lincoln Local School District’s General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St.3d228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

We did not receive a response from Officials to the findings reported above.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None noted

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Financial Reporting	No	Reissued as Finding 2015-001



Dave Yost • Auditor of State

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT

MORROW COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 17, 2016**