

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY
CARDINGTON, OHIO
FINANCIAL STATEMENTS
JUNE 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of the Cardington-Lincoln Local School District, Morrow County, prepared by Holbrook & Manter, for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 4, 2002

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CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

INTRODUCTORY SECTION

Table of Contents	1
Independent Auditor's Report.....	2-3

FINANCIAL SECTION

Combined Balance Sheet - All Fund Types and Account Groups	4-5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual All Governmental Fund Types.....	7-9
Combined Statement of Revenues, Expenses and Changes in Retained Earnings – Proprietary Fund Type	10
Combined Statement of Cash Flows - Enterprise Funds.....	11
Notes to the General Purpose Financial Statements	12-48
Schedule of Federal Awards Expenditures.....	49
Notes to Schedule of Federal Awards Receipts and Expenditures.....	50
Report on Compliance and on Internal Control Over Financial Reporting Based on Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51-52
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	53-54
Schedule of Findings and Questioned Costs.....	55
Schedule of Prior Audit Findings and Questioned Costs	56



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general-purpose financial statements of Cardington-Lincoln Local School District, as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of Cardington-Lincoln Local School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Cardington-Lincoln Local School District as of June 30, 2001, and the results of operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2001 on our consideration of Cardington-Lincoln Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

-2-

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CERTIFIED PUBLIC ACCOUNTANTS
OHIO SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

Shullrock & Mante

Certified Public Accountants

November 28, 2001
Marion, Ohio

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	GOVERNMENTAL FUND TYPES				PROPRIETARY	FIDUCIARY	ACCOUNT GROUPS		TOTAL (MEMO ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	ENTERPRISE	TRUST AND AGENCY	GENERAL	GENERAL	
							FIXED ASSETS	LONG TERM DEBT	
ASSETS AND OTHER DEBITS:-									
ASSETS:-									
Equity in pooled cash and cash equivalents	\$ 1,314,601	\$ 292,099	\$ 514,092	\$ 119,061	\$ 25,560	\$ 67,286	\$ 0	\$ 0	2,332,699
Receivables:-									
Property taxes	1,684,770	40,316	340,616	61,820	0	0	0	0	2,127,522
Accounts	405	1,268	0	0	565	0	0	0	2,238
Intergovernmental	0	64,120	0	0	12,561	0	0	0	76,681
Accrued interest	7,871	422	0	0	0	219	0	0	8,512
Interfund	3,000	0	0	0	0	0	0	0	3,000
Prepaid items	14,540	0	0	0	0	0	0	0	14,540
Materials and supplies inventory	2,160	0	0	0	7,828	0	0	0	9,988
Restricted assets:-									
Equity in pooled cash and cash equivalents	29,280	0	0	0	0	0	0	0	29,280
Fixed assets (net, where applicable, of accumulate depreciation)	0	0	0	0	21,074	0	7,280,401	0	7,301,475
OTHER DEBITS:-									
Amount available in Debt Service Fund									
Fund for Retirement of General Obligation Debt	0	0	0	0	0	0	0	607,102	607,102
Amount to be provided from General Government Resources	0	0	0	0	0	0		1,886,959	1,886,959
Total assets and other debits	\$ 3,056,627	\$ 398,225	\$ 854,708	\$ 180,881	\$ 67,588	\$ 67,505	\$ 7,280,401	\$ 2,494,061	\$ 14,399,996

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (MEMO) (ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	ENTERPRISE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG TERM DEBT	
LIABILITIES, FUND EQUITY AND OTHER CREDITS:-									
LIABILITIES:-									
Accounts payable	\$ 40,533	\$ 8,306	\$ 0	\$ 24,280	\$ 167	\$ 1,351	\$ 0	\$ 0	74,637
Accrued wages and benefits	445,014	51,075	0	0	17,362	0	0	0	513,451
Compensated absences payable	37,776	2,023	0	0	14,684	0	0	381,885	436,368
Pension obligation payable	90,220	9,340	0	0	9,930	0	0	53,739	163,229
Intergovernmental payable	7,911	146	1,106	292	0	0	0	0	9,455
Interfund payable	0	3,000	0	0	0	0	0	0	3,000
Deferred revenues	1,094,457	28,849	246,500	46,766	5,682	0	0	0	1,422,254
Due to students	0	0	0	0	0	28,285	0	0	28,285
Undistributed assets	0	0	0	0	0	2,117	0	0	2,117
Asbestos loan payable	0	0	0	0	0	0	0	33,437	33,437
General obligation bonds payable	0	0	0	0	0	0	0	2,025,000	2,025,000
General obligation notes payable	39,478	0	0	0	0	0	0	0	39,478
Total liabilities	<u>1,755,389</u>	<u>102,739</u>	<u>247,606</u>	<u>71,338</u>	<u>47,825</u>	<u>31,753</u>	<u>0</u>	<u>2,494,061</u>	<u>4,750,711</u>
FUND EQUITY AND OTHER CREDITS:-									
Investment in General Fixed Assets	0	0	0	0	0	0	7,280,401	0	7,280,401
Retained earnings:-									
Unreserved	0	0	0	0	19,763	0	0	0	19,763
Fund balance:-									
Reserved for tax revenue unavailable for appropriation	391,070	7,791	66,251	7,702	0	0	0	0	472,814
Reserved for supplies inventory	2,160	0	0	0	0	0	0	0	2,160
Reserved for prepayments	14,540	0	0	0	0	0	0	0	14,540
Reserved for capital improvement	29,280	0	0	0	0	0	0	0	29,280
Designated for budget stabilization	117,505	0	0	0	0	0	0	0	117,505
Reserved for debt service	0	0	540,851	0	0	0	0	0	540,851
Reserved for encumbrances	151,430	18,474	0	29,527	0	2,145	0	0	201,576
Unreserved	595,253	269,221	0	72,314	0	33,607	0	0	970,395
Total fund equity and other credits	<u>1,301,238</u>	<u>295,486</u>	<u>607,102</u>	<u>109,543</u>	<u>19,763</u>	<u>35,752</u>	<u>7,280,401</u>	<u>0</u>	<u>9,649,285</u>
Total liabilities, fund equity and other credits	\$ <u>3,056,627</u>	\$ <u>398,225</u>	\$ <u>854,708</u>	\$ <u>180,881</u>	\$ <u>67,588</u>	\$ <u>67,505</u>	\$ <u>7,280,401</u>	\$ <u>2,494,061</u>	\$ <u>14,399,996</u>

See Accompanying Notes to the General Purpose Financial Statements.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
JUNE 30, 2001

	GOVERNMENTAL FUND TYPES				FIDUCIARY	TOTAL (MEMO) ONLY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	EXPENDABLE TRUST	
REVENUES:-						
Property taxes	\$ 1,889,572	\$ 41,592	\$ 337,767	\$ 58,597	\$ 0	\$ 2,327,528
Intergovernmental	4,857,054	651,148	63,381	79,573	0	5,651,156
Interest	103,478	5,828	0	0	2,606	111,912
Tuition	13,402	40	0	0	0	13,442
Extracurricular activities	0	196,400	0	0	0	196,400
Other revenue	46,143	4,000	0	0	2,251	52,394
Total revenues	<u>6,909,649</u>	<u>899,008</u>	<u>401,148</u>	<u>138,170</u>	<u>4,857</u>	<u>8,352,832</u>
EXPENDITURES:-						
Current:-						
Instruction:-						
Regular	2,971,506	216,854	0	71,620	0	3,259,980
Special	352,110	302,704	0	0	0	654,814
Vocational	224,653	0	0	0	0	224,653
Other	336,944	0	0	0	7,714	344,658
Supporting services:-						
Pupils	194,257	4,905	0	0	0	199,162
Instructional staff	217,541	29,643	0	0	0	247,184
Board of Education	52,077	0	0	0	1,254	53,331
Administration	590,114	101,808	0	1,000	0	692,922
Fiscal	162,572	1,099	9,126	1,708	0	174,505
Operation & maintenance - plant	692,415	14,467	0	0	0	706,882
Pupil transportation	355,447	0	0	0	0	355,447
Community Services	21,673	109,736	0	0	0	131,409
Extracurricular activities	131,634	0	0	0	68	131,702
Facilities services	0	0	0	24,423	0	24,423
Debt service:-						
Principal retirement	5,000	0	85,000	0	0	90,000
Interest and fiscal charges	2,256	0	138,925	0	0	141,181
Total expenditures	<u>6,310,199</u>	<u>781,216</u>	<u>233,051</u>	<u>98,751</u>	<u>9,036</u>	<u>7,432,253</u>
Excess of revenues over (under) expenditures	599,450	117,792	168,097	39,419	(4,111)	920,647
OTHER FINANCING SOURCES (USES):-						
Operating transfers in	0	0	0	0	0	0
Operating transfers out	0	0	0	0	0	0
Proceeds from sale of assets	4,887	0	0	0	0	4,887
Total other financing sources (uses)	<u>4,887</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,887</u>
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	604,337	117,792	168,097	39,419	(4,111)	925,534
Fund balances at beginning of year	699,911	177,694	439,005	70,124	39,863	1,426,597
Decrease in reserve for inventory	(3,010)	0	0	0	0	(3,010)
Fund balances at end of year	<u>\$ 1,301,238</u>	<u>\$ 295,486</u>	<u>\$ 607,102</u>	<u>\$ 109,543</u>	<u>\$ 35,752</u>	<u>\$ 2,349,121</u>

See Accompanying Notes to the General Purpose Financial Statements

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2001

	GENERAL			SPECIAL REVENUE		
	REVISED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES:-						
Taxes	\$ 1,563,072	\$ 1,563,072	\$ 0	\$ 35,077	\$ 35,077	\$ 0
Intergovernmental	4,860,103	4,860,103	0	592,321	592,321	0
Interest	101,672	101,672	0	5,895	5,895	0
Tuition and fees	29,050	29,050	0	40	40	0
Extracurricular activities	0	0	0	188,681	188,681	0
Other revenue	54,763	54,763	0	4,000	4,000	0
Total revenues	<u>6,608,660</u>	<u>6,608,660</u>	<u>0</u>	<u>826,014</u>	<u>826,014</u>	<u>0</u>
EXPENDITURES:-						
Current:-						
Instruction:-						
Regular	3,084,268	3,015,211	69,057	219,090	201,845	17,245
Special	353,701	334,778	18,923	313,647	313,580	67
Vocational	226,566	226,087	479	0	0	0
Other	356,957	356,941	16	0	0	0
Supporting services:-						
Pupils	202,274	192,997	9,277	4,905	4,905	0
Instructional staff	217,943	207,085	10,858	29,884	29,884	0
Board of Education	55,176	53,258	1,918	0	0	0
Administration	620,598	601,800	18,798	108,569	105,884	2,685
Fiscal	175,170	156,454	18,716	1,006	1,006	0
Operation & maintenance - plant	765,953	747,560	18,393	23,727	21,667	2,060
Pupil transportation	452,146	415,368	36,778	0	0	0
Community services	45,296	29,596	15,700	0	0	0
Extracurricular activities	131,811	131,754	57	118,414	117,005	1,409
Facilities Services	0	0	0	0	0	0
Debt service;						
Principal retirement	5,522	5,522	0	0	0	0
Interest and fiscal charges	2,256	2,256	0	0	0	0
Total expenditures	<u>6,695,637</u>	<u>6,476,667</u>	<u>218,970</u>	<u>819,242</u>	<u>795,776</u>	<u>23,466</u>
Excess of revenues over (under) expenditures	(86,977)	131,993	218,970	6,772	30,238	23,466
Other financing sources:-						
Refund of prior years expenditures	0	0	0	2,464	2,464	0
Refund of prior year receipt	(2,258)	(2,258)	0	0	0	0
Advances in	4,000	4,000	0	3,000	3,000	0
Advances out	(3,000)	(3,000)	0	(4,000)	(4,000)	0
Proceeds of sale of fixed assets	4,887	4,887	0	0	0	0
Total other financing sources (uses)	<u>3,629</u>	<u>3,629</u>	<u>0</u>	<u>1,464</u>	<u>1,464</u>	<u>0</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(83,348)	135,622	218,970	8,236	31,702	23,466
Fund balances at beginning of year	904,591	904,591	0	204,936	204,936	0
Prior year encumbrances appropriated	115,197	115,197	0	26,462	26,462	0
Fund balances at end of year	<u>\$ 936,440</u>	<u>\$ 1,155,410</u>	<u>\$ 218,970</u>	<u>\$ 239,634</u>	<u>\$ 263,100</u>	<u>\$ 23,466</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2001

	DEBT SERVICE			CAPITAL PROJECTS		
	REVISED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES:-						
Taxes	\$ 299,223	\$ 299,223	\$ 0	\$ 52,926	\$ 52,926	\$ 0
Intergovernmental	63,381	63,381	0	79,573	79,573	0
Earnings on investments	0	0	0	0	0	0
Tuition and fees	0	0	0	0	0	0
Extracurricular activities	0	0	0	0	0	0
Other revenue	0	0	0	0	0	0
Total revenues	<u>362,604</u>	<u>362,604</u>	<u>0</u>	<u>132,499</u>	<u>132,499</u>	<u>0</u>
EXPENDITURES:-						
Current:-						
Instruction:-						
Regular	0	0	0	75,188	75,188	0
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Other	0	0	0	0	0	0
Supporting services:-						
Pupils	0	0	0	0	0	0
Instructional staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	1,000	1,000	0
Fiscal	8,517	8,517	0	2,000	1,520	480
Operation & maintenance - plant	0	0	0	0	0	0
Pupil transportation	0	0	0	0	0	0
Community services	0	0	0	0	0	0
Extracurricular activities	0	0	0	0	0	0
Facilities services	0	0	0	55,074	27,671	27,403
Debt service;						
Principal retirement	85,000	85,000	0	0	0	0
Interest and fiscal charges	138,925	138,925	0	0	0	0
Total expenditures	<u>232,442</u>	<u>232,442</u>	<u>0</u>	<u>133,262</u>	<u>105,379</u>	<u>27,883</u>
Excess of revenues over (under) expenditures	130,162	130,162	0	(763)	27,120	27,883
Other financing sources:-						
Refund of prior year expenditures	0	0	0	0	0	0
Refund of prior year receipt	0	0	0	0	0	0
Advances in	0	0	0	0	0	0
Advances out	0	0	0	0	0	0
Proceeds of sale of fixed assets	0	0	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	130,162	130,162	0	(763)	27,120	27,883
Fund balances at beginning of year	383,930	383,930	0	58,813	58,813	0
Prior year encumbrances appropriated	0	0	0	3,602	3,602	0
Fund balances at end of year	<u>\$ 514,092</u>	<u>\$ 514,092</u>	<u>\$ 0</u>	<u>\$ 61,652</u>	<u>\$ 89,535</u>	<u>\$ 27,883</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2001

	TOTAL (MEMO ONLY)		
	REVISED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES:-			
Taxes	\$ 1,950,298	\$ 1,950,298	\$ 0
Intergovernmental	5,595,378	5,595,378	0
Earnings on investments	107,567	107,567	0
Tuition and fees	29,090	29,090	0
Extracurricular activities	188,681	188,681	0
Other revenue	58,763	58,763	0
Total revenues	7,929,777	7,929,777	0
EXPENDITURES:-			
Current:-			
Instruction:-			
Regular	3,378,546	3,292,244	86,302
Special	667,348	648,358	18,990
Vocational	226,566	226,087	479
Other	356,957	356,941	16
Supporting services:-			
Pupils	207,179	197,902	9,277
Instructional staff	247,827	236,969	10,858
Board of Education	55,176	53,258	1,918
Administration	730,167	708,684	21,483
Fiscal	186,693	167,497	19,196
Operation & maintenance - plant	789,680	769,227	20,453
Pupil transportation	452,146	415,368	36,778
Community services	45,296	29,596	15,700
Extracurricular activities	250,225	248,759	1,466
Facilities services	55,074	27,671	27,403
Debt service:			
Principal retirement	90,522	90,522	0
Interest and fiscal charges	141,181	141,181	0
Total expenditures	7,880,583	7,610,264	270,319
Excess of revenues over (under) expenditures	49,194	319,513	270,319
Other financing sources:-			
Refund of prior year expenditures	2,464	2,464	0
Refund of prior year receipt	(2,258)	(2,258)	0
Advances in	7,000	7,000	0
Advances out	(7,000)	(7,000)	0
Proceeds of sale of fixed assets	4,887	4,887	0
Total other financing sources (uses)	5,093	5,093	0
Excess of revenues and other financing sources over (under) expenditures and other financing uses	54,287	324,606	270,319
Fund balances at beginning of year	1,552,270	1,552,270	0
Prior year encumbrances appropriated	145,261	145,261	0
Fund balances at end of year	\$ 1,751,818	\$ 2,022,137	\$ 270,319

See Accompanying Notes to the General Purpose Financial Statements.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001

	PROPRIETARY FUND TYPE
	ENTERPRISE
OPERATING REVENUES:-	
Tuition and fees	\$ 1,312
Other operating revenues	565
Sales/charges for services	171,343
Total operating revenues	173,220
OPERATING EXPENSES:-	
Personal services	151,245
Contract services	1,413
Materials and supplies	139,701
Depreciation	2,627
Total operating expenses	294,986
Operating loss	(121,766)
NON-OPERATING REVENUES:-	
Operating grants	89,481
Federal commodities	29,213
Interest revenue	2,684
Total non-operating revenue	121,378
Net loss	(388)
Retained earnings at beginning of year	20,151
Retained earnings at end of year	\$ 19,763

See Accompanying Notes to the General Purpose Financial Statements

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001

	<u>PROPRIETARY FUND TYPE</u>
	<u>ENTERPRISE</u>
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 1,312
Cash received from sales/service charges	171,346
Cash payments for personal services	(148,471)
Cash payments for contact services	(1,305)
Cash payments for supplies and materials	<u>(111,111)</u>
Net cash used in operating activities	(88,229)
Cash flows from noncapital financing activities:	
Cash received from operating grants	<u>90,282</u>
Net cash provided by noncapital financing activities	90,282
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(2,715)</u>
Net cash used for capital and related financing activities	(2,715)
Cash flows from investing activities:	
Interest received	<u>2,774</u>
Net cash provided by investing activities	2,774
Net increase in cash and cash equivalents	2,122
Cash and cash equivalents at beginning of year	23,448
Cash and cash equivalents at end of year	<u>\$ 25,560</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (121,766)
Adjustments to reconcile operating loss to net used in operating activities:	
Depreciation	2,627
Federal donated commodities	29,213
Changes in assets and liabilities	
Increase in supplies inventory	(1,277)
Increase in accounts receivable	(562)
Decrease in accounts payable	(292)
Increase in accrued wages & benefits	29
Increase in compensated absences payable	2,803
Decrease in pension obligation payable	(58)
Decrease in deferred revenue	<u>1,054</u>
Net cash used in operating activities	<u>\$ (88,229)</u>

See Accompanying Notes to the General Purpose Financial Statements

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT:-

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

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

The District ranks is the 440th largest by enrollment among the 682 public and community school districts in the State, and the third largest in Morrow County. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 47 non-certified and 84 certified employees to provide services to approximately 1,238 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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 District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organizations:

Tri-Rivers Educational Computer Association (TRECA)

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

Tri-Rivers Joint Vocational School

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

Cardington Community Joint Recreation Board

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

Related Organization:

Cardington Public Library

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

The District is also a participant in a public entity risk sharing pool, discussed in Note 11.

B. Fund Accounting

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, but which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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

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

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

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

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2001 is as follows:

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Morrow County Budget Commission for tax rate determination.
3. Prior to April 1st, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001, in the following amounts:

	<u>Increase</u>
General Fund	\$ 64,955
Special Revenue Funds	18,631
Debt Service Fund	6,505
Capital Projects Funds	69,848
Enterprise Funds	60,311
Expendable Trust Fund	4,295
Agency Funds	<u>71,472</u>
 Total	 <u>\$296,017</u>

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

E. Cash and Investments

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

During fiscal 2001, investments were limited to certificates of deposit, which are reported at cost.

By policy of the Board of Education, investment earnings are assigned to the General fund, the Food Service fund, the Public School Support fund, the Scholarship fund, the District-Managed Activities fund, and the Student-Managed Activities fund. During fiscal 2001, the following funds were credited with more interest revenue than would have been received based upon its share of investments:

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Investments</u>	<u>Interest Assigned from Other Funds</u>
General	\$103,478	\$66,947	\$36,531
<u>Special Revenue Funds</u>			
Public School Support	2,908	2,068	840
District Managed Activities	2,920	1,974	946
Expendable Trust Fund	2,606	2,003	603
<u>Enterprise Fund</u>			
Food Service	2,684	917	1,767
<u>Agency Fund</u>			
Student Managed Activities	2,750	1,483	1,267

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

F. Inventory

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

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

G. Prepaids

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

2. Proprietary Funds

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

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

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

I. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenue when measurable and available (to the extent such grants and entitlements relate to the current fiscal year). Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned.

The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief

Special Revenue Funds

- Disadvantaged Pupil Impact Aid
- State Property Tax Relief

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

Debt Service Fund
State Property Tax Relief

Capital Projects Funds
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds
Teacher Development
Management Information Systems
Title VI-B
Title I
Title VI
Ohio Reads
Venture Capital
Summer Intervention
Library Automation
Textbook/Instructional Materials Subsidy
Challenge Grant

Capital Projects Funds
SchoolNet
Technology Equity
Emergency Building Repair

Reimbursable Grants

General Fund
School Bus Purchases
Driver Education

Special Revenue
Telecommunications (E-rate)

Proprietary Funds
National School Lunch Program

Grants and entitlements amounted to approximately 67% of the District's operating revenue during the 2001 fiscal year.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

J. Interfund Transactions

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

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

An analysis of the District's interfund transactions for fiscal year 2001 is presented in Note 5.

K. Compensated Absences

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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

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

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

L. Long-Term Obligations

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

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

M. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation, and capital improvement. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

N. Statutory Reserves

The District is required by State law to set aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of July 1, 2000	\$ 0	\$ 0	\$ 100,583
Current year set-aside requirement	130,139	130,139	
Current year contribution			16,922
Qualifying disbursements	(130,139)	(100,859)	
Change in statutory requirement			<u>(117,505)</u>
Total	<u>0</u>	<u>29,280</u>	<u>0</u>
Cash balance carried forward to FY 2002	<u>\$ 0</u>	<u>\$ 29,280</u>	<u>\$ 0</u>

Amounts of qualifying expenditures presented for textbooks in the table were limited to those necessary to reduce the year end balance to zero.

During fiscal year 2001, the District elected to set-aside a total of \$117,505 for budget stabilization, which is no longer required by law. This amount is reported as designated fund balance on the combined balance sheet.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for capital acquisition	<u>\$29,280</u>
Total restricted assets	<u>\$29,280</u>

O. Statement of Cash Flows

The District's Financial Statements have been prepared in accordance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented (Exhibit 5) a statement of cash flows for its Enterprise funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

P. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its Proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a capital acquisition reserve. This reserve is required by State statute and can be used only for statutorily-specified purposes. A fund balance reserve has also been established. See Note 2.N. for statutory reserves. Cash is not restricted for designations of fund balance, because designations are not required by statute, and may be changed or eliminated at management's decision.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

R. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE:-

A. Deficit Fund Balances

Fund balances at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
Disadvantaged Pupil Impact Aid	\$ (196)
Ohio Reads	(2,082)

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

B. Change in Accounting Principle

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS:-

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year-end the carrying amount of the District's deposits was \$2,361,979 and the bank balance was \$2,432,994 (both amounts include \$539,869 in non-negotiable certificates of deposit but are exclusive of payroll clearance accounts).

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

1. Of the bank balance and CDs, \$200,000 was covered by federal deposit insurance and \$2,232,994 was covered by collateral held by third party trustees pursuant to Section 135.181 of the Ohio Revised Code in collateral pools securing all public funds on deposit with the District's depositories.
2. Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities and obligations of the other states.

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

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District did not have any investments (as defined by GASB Statement No. 3) subject to categorization.

NOTE 5 - INTERFUND TRANSACTIONS:-

Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans (Payable)</u>
General Fund	\$3,000	
<u>Special Revenue Fund</u>		
Title I	_____	<u>\$(3,000)</u>
Total Interfund Loans	<u>\$3,000</u>	<u>\$(3,000)</u>

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 6 - PROPERTY TAXES:-

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed at 50% of market value, and railroads, which are assessed at 29%.

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

The assessed values upon which the fiscal year 2001 taxes were collected are as follows:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$64,216,080	84.13	\$67,027,790	84.12
Public Utility Personal	7,515,660	9.85	7,165,100	8.99
Tangible Personal Property	4,596,260	6.02	5,487,300	6.89
	\$76,328,000	100.00	\$79,680,190	100.00

Tax rate per \$1,000 of
assessed valuation:

Operations	\$27.60	\$27.60
Debt Service	4.79	3.79
Permanent Improvements	1.00	1.00

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 6 - PROPERTY TAXES:- (continued)

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2001 totaled \$472,814, in the General fund; \$391,070, in the Debt Service fund; \$66,251, in the Permanent Improvements fund; \$7,702, and in the Maintenance fund; \$7,791.

NOTE 7 - FIXED ASSETS:-

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2001</u>
Land/Improvements	\$ 114,735			\$ 114,735
Buildings	3,154,451			3,154,451
Furniture/Equipment	2,391,169	\$207,757		2,598,926
Vehicles	910,366			910,366
Books	501,923			501,923
	<u>\$7,072,644</u>	<u>\$207,757</u>	<u>\$ 0</u>	<u>\$7,280,401</u>

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 7 - FIXED ASSETS:- (continued)

There was no significant construction in progress.

A summary of the Proprietary fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$ 161,119
Less Accumulated Depreciation	<u>(140,045)</u>
Net Fixed Assets	<u>\$ 21,074</u>

NOTE 8 – RECEIVABLES:-

Receivables at June 30, 2001 consisted of taxes, accounts (rent and student fees), interest, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). 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 follows:

	<u>Amounts</u>
<u>General Fund</u>	
Real Taxes - Current & Delinquent	\$1,684,770
<u>Special Revenue Funds</u>	
Taxes - Current & Delinquent	40,316
Due From Other Governments	64,120
<u>Debt Service Fund</u>	
Taxes - Current and Delinquent	340,616
<u>Capital Projects Funds</u>	
Taxes - Current & Delinquent	61,820
<u>Enterprise Funds</u>	
Due From Other Governments	12,561

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 9 - NOTES PAYABLE :-

In the fiscal year ended June 30, 2000, the District issued a general obligation revenue anticipation note for the purpose of paying for new bleachers on the football field. The note is a general obligation of the District for which the full faith and credit of the District are pledged for repayment. The note is a liability of the General fund, which received the proceeds upon issuance. The following is a description of the District's note outstanding as of June 30, 2001:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Outstanding 07/01/00</u>	<u>Retired in Fiscal 2001</u>	<u>Outstanding 06/30/01</u>
New Bleachers	5.00%	08/25/99	08/25/06	<u>\$45,000</u>	<u>\$45,000</u>	<u>\$(5,522)</u>	<u>\$39,478</u>

NOTE 10 - LONG-TERM OBLIGATIONS:-

1. All current general obligation bonds outstanding, issued to provide funds for the improvement and renovation of facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current 3.79 (average) mill bonded debt tax levy.

The bonds were issued on May 1, 1992. The issue is comprised of \$680,000 in serial bonds, and \$1,930,000 in term bonds.

The term bonds maturing on December 1, 2013, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2002	\$ 95,000	2009	\$145,000
2003	95,000	2010	155,000
2004	100,000	2011	165,000
2005	110,000	2012	170,000
2006	120,000	2013	190,000
2007	125,000	2014	200,000
2008	135,000	2015	220,000

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

Serial bonds maturing after December 1, 2001, are subject to redemption at the sole option of the District either in whole or in part, on any date on or after December 1, 2001, in integral multiples of \$5,000, at the following redemption prices, plus accrued interest to the redemption date:

<u>Redemption Dates</u> <u>(Dates Inclusive)</u>	<u>Redemption</u> <u>Prices</u>
December 1, 2001 through November 30, 2002	102%
December 1, 2002 through November 30, 2003	101%
December 1, 2003 and thereafter	100%

The following is a description of the Cardington-Lincoln bonds outstanding as of June 30, 2001:

<u>Purpose</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Original</u> <u>Amount</u>	<u>Bonds</u> <u>Outstanding</u> <u>07/01/00</u>	<u>Retired in</u> <u>Fiscal 2001</u>	<u>Bonds</u> <u>Outstanding</u> <u>06/30/01</u>
Building							
Renovation	7.50%	5/01/92	12/01/14	<u>\$2,610,000</u>	<u>\$2,110,000</u>	<u>\$(85,000)</u>	<u>\$2,025,000</u>

- B. In 1991, the District received a loan from the U.S. Environmental Protection Agency for an asbestos abatement project. The loan is interest free as long as the District remains current on repayment. This loan is a general obligation of the District for which the full faith and credit of the District are pledged for repayment. The outstanding balance of the loan is reported in the General Long-Term Obligations Account Group. Payments are recorded as expenditures of the General fund, from current operating revenue. The following schedule describes the loan outstanding at June 30, 2001:

<u>Purpose</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Original</u> <u>Amount</u>	<u>Outstanding</u> <u>07/01/00</u>	<u>Retired</u> <u>in 2001</u>	<u>Outstanding</u> <u>06/30/2001</u>
Asbestos							
Abatement	none	4/20/91	12/01/14	<u>\$85,937</u>	<u>\$38,437</u>	<u>\$(5,000)</u>	<u>\$33,437</u>

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

C. The following is a summary of the District's future annual debt service requirements to maturity:

Year Ending June 30	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Asbestos Loan	Total
2002	\$ 95,000	\$ 135,312	\$ 5,000	\$ 235,312
2003	95,000	127,380	5,000	227,380
2004	100,000	121,110	5,000	226,110
2005	110,000	114,510	5,000	229,510
2006	120,000	107,250	5,000	232,250
2007 - 2011	725,000	407,550	8,437	1,140,987
2012 - 2015	<u>780,000</u>	<u>133,980</u>	<u> </u>	<u>913,980</u>
Total	<u>\$2,025,000</u>	<u>\$1,147,092</u>	<u>\$33,437</u>	<u>\$3,205,529</u>

D. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund which the employee is paid.

	Balance July 1, 2000	Increase	Decrease	Balance June 30, 2001
Compensated Absences	\$ 371,948	\$ 9,937		\$ 381,885
General Obligation Bonds	2,110,000		\$ (85,000)	2,025,000
Pension Obligation Payable	56,843	53,739	(56,843)	53,739
Asbestos Loan	38,437		(5,000)	33,437
TOTAL	<u>\$2,577,228</u>	<u>\$63,676</u>	<u>\$(146,843)</u>	<u>\$2,494,061</u>

E. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$5,753,319 (including available funds of \$607,102) and an unvoted debt margin of _\$79,680.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 11 - RISK MANAGEMENT:-

1. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the District contracted for the following insurance coverages:

Nationwide Insurance

Total Policy Coverage - includes the following:

Buildings and Contents - replacement cost (\$500 deductible)	\$18,612,700
Inland Marine Coverage (\$500 deductible)	
Boiler and Machinery (\$1,000 deductible)	
 Automobile Liability	 2,000,000
 Uninsured Motorist	 2,000,000
 Medical Payments - per person	 3,000
 General School District Liability	
Per Occurrence	1,000,000
Total per Year	5,000,000

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.

2. OSBA Worker's Compensation Group Rating

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 11 - RISK MANAGEMENT:- (continued)

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. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of GatesMcDonald & Co. Provides administrative, cost control and actuarial services to the GRP.

3. Group Health and Dental Insurance

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

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS:-

The District maintains two Enterprise funds to account for the operations of Food Service and Uniform School Supply Sales. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenue	\$ 171,343	\$ 1,877	\$ 173,220
Depreciation	2,627		2,627
Operating Loss	(118,685)	(3,081)	(121,766)
Non-operating revenues:			
Operating grants	89,481		89,481
Donated commodities	29,213		29,213
Net income (loss)	2,693	(3,081)	(388)
Net Working Capital	6,320	7,053	13,373
Total Assets	60,507	7,081	67,588
Fixed Assets:			
Additions	2,715		2,715
Long-Term Liabilities			
Payable from Fund Revenues	14,684		14,684
Total Fund Equity	12,710	7,053	19,763
Encumbrances	1,639	3,042	4,681

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 13 - DEFINED BENEFIT PENSION PLANS:-

1. **SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2001; 4.2 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$122,597, \$110,600, and \$58,134, respectively; 43 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$69,624, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

2. **STATE TEACHERS RETIREMENT SYSTEM**

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$464,631, \$487,857, and \$161,527, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$78,752, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

3. **SOCIAL SECURITY SYSTEM**

Effective July 1, 1991, all employees not otherwise covered by the STRS or the SERS have an option to choose Social Security or the SERS/STRS. As of June 30, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS:-

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$99,208 during the 2001 fiscal year.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 14 - POSTEMPLOYMENT BENEFITS:- (continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283.137 million and there were 99,011 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$95,061 during the 2001 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING:-

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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

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

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

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

**Excess (Deficiency) of Revenues and Other Financing
Sources Over/(Under) Expenditures and Other
Financing Uses**

	Governmental Fund Types			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Budget Basis	\$135,622	\$ 31,702	\$130,162	\$ 27,120
Net Adjustment for Revenue Accruals	305,989	69,007	38,544	5,671
Net Adjustment for Expenditure Accruals	(26,692)	(8,217)	(609)	(22,898)
Net Adjustment for Other Sources/(Uses)	1,258	(1,464)		
Net Adjustment for Fund Reclassification		555		
Adjustment for Encumbrances	<u>188,160</u>	<u>26,209</u>	<u> </u>	<u>29,526</u>
GAAP Basis <u>\$604,337</u>	<u>\$117,792</u>	<u>\$168,097</u>	<u>\$ 39,419</u>	

NOTE 16 - CONTINGENT LIABILITIES:-

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 16 - CONTINGENT LIABILITIES:- (continued)

B. Litigation

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

C. School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the balance sheet date, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision will have on its future State funding and on its financial operations.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
MORROW COUNTY, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 17 - SUBSEQUENT EVENT:-

On September 19, 2001, the District issued \$1,929,996 in general obligation bonds to refund the callable portion of its Series 1992 general obligation building renovation bonds. The District will make one additional principal payment on the Series 1992 bonds on December 1, 2001, after which these bonds will be considered defeased (in-substance) and will be removed from the District's outstanding liabilities.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR</u>	<u>FEDERAL CFDA NUMBER</u>	<u>NON-CASH RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>NON-CASH DISBURSE- MENTS</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:-</u>					
Pass-Through Ohio Department of Education Nutrition Cluster;					
Food Distribution Program	10.550	\$ 0	\$ 30,186	\$ -0-	\$ 29,213
National School Lunch Program	10.555	<u>85,481</u>	<u>-0-</u>	<u>85,481</u>	<u>-0-</u>
Total U.S. Department of Agriculture - Nutrition Cluster		85,481	30,186	85,481	29,213
<u>U.S. DEPARTMENT OF EDUCATION:-</u>					
Pass-Through Ohio Department of Education Special Education Grants to States (IDEA Part B)	84.027	95,030	-0-	95,235	-0-
Grants to Local Educational Agencies (ESEA Title I)	84.010	<u>205,069</u>	<u>-0-</u>	<u>200,809</u>	<u>-0-</u>
Total Special Education Cluster		300,099	-0-	296,044	-0-
Innovative Educational Program Strategies	84.298	5,828	-0-	6,595	-0-
Class Size Reduction	84.340	57,498	-0-	46,146	-0-
Goals 2000	84.276	27,000	-0-	9,793	-0-
Reading Excellence	84.338	48,905	-0-	7,936	-0-
Drug Free Program	84.186	4,905	-0-	4,905	-0-
Eisenhower Grant	84.281	<u>12,504</u>	<u>-0-</u>	<u>10,012</u>	<u>-0-</u>
Total Department of Education		456,739	-0-	381,431	-0-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:-</u>					
Passed through Ohio Dept. of MRDD Community Alternative Funding System	93.778	<u>19,968</u>	<u>-0-</u>	<u>1,166</u>	<u>-0-</u>
Total Federal Assistance		<u>\$ 562,188</u>	<u>\$ 30,186</u>	<u>\$ 468,078</u>	<u>\$ 29,213</u>

The accompanying notes are an integral part of this statement.

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2001

NOTE A – SIGNIFICANT ACCOUNTING POLICIES:-

The accompanying Schedule of Federal Awards Receipts and Expenditures (the “Schedule”) summarizes activity of the District’s federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DISTRIBUTION:-

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



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

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

We have audited the financial statements of Cardington-Lincoln Local School District as of and for the year ended June 30, 2001 and have issued our report thereon dated November 28, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we also noted other matters involving the internal control over financial reporting that we have reported to the management of Cardington-Lincoln Local School District in a separate letter dated November 28, 2001.

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

Shulbrook & Manton

Certified Public Accountants

November 28, 2001
Marion, Ohio



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

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

Compliance

We have audited the compliance of Cardington-Lincoln Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

Shulbrook & Manton

Certified Public Accountants

November 28, 2001
Marion, Ohio

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

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

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

CARDINGTON-LINCOLN LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2001

No prior audit findings and questioned costs.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JANUARY 22, 2002**