



**CARDINGTON LINCOLN LOCAL DIGITAL ACADEMY  
MORROW COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2011**



**Dave Yost • Auditor of State**



**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY  
MORROW COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Cardington-Lincoln Local Digital Academy  
Morrow County  
121 Nichols Street  
Cardington, Ohio 43315-1121

To the Board of Directors:

We have audited the accompanying basic financial statements of Cardington-Lincoln Local Digital Academy, Morrow County, Ohio (the Academy), a component unit of Cardington-Lincoln Local School District, as of and for the year ended June 30, 2011, as listed in the table of contents. These basic financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cardington-Lincoln Local Digital Academy, Morrow County, Ohio, as of June 30, 2011, and the change in financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Dave Yost**  
Auditor of State

April 16, 2012

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY  
(A Component Unit of Cardington-Lincoln Local School District)  
MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The management's discussion and analysis of the Cardington-Lincoln Local Digital Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- In total, net assets were \$189,998 at June 30, 2011.
- The Academy had operating revenues of \$267,057 and operating expenses of \$285,091 for fiscal year 2011. The Academy also received \$181 in interest revenue and \$71,973 in Federal and State grants during fiscal year 2011. Total change in net assets for the fiscal year was an increase of \$54,120.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about how the Academy finances and meets the cash flow needs of its operations.

**Reporting the Academy Financial Activities**

***Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2011?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

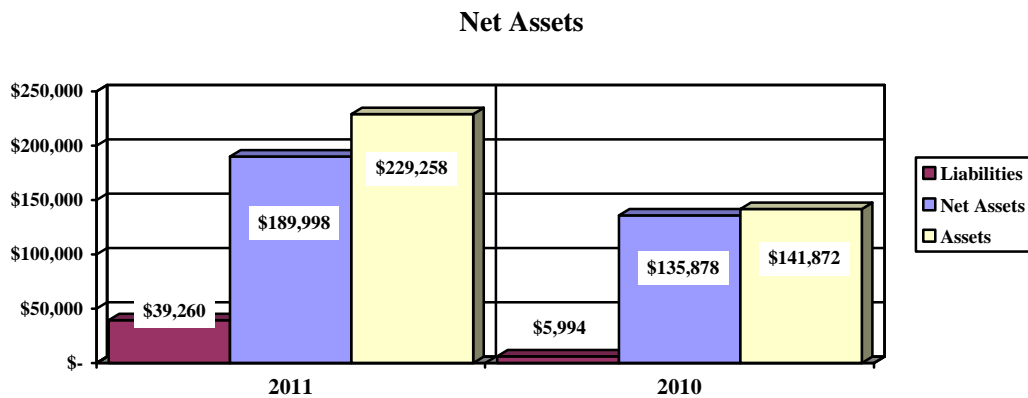
**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of Cardington-Lincoln Local School District)**  
**MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The table below provides a summary of the Academy's net assets for fiscal year 2011 and 2010.

<b>Net Assets</b>		
	2011	2010
<b><u>Assets</u></b>		
Current assets	\$ 223,052	\$ 129,415
Capital assets, net	6,206	12,457
Total assets	229,258	141,872
<b><u>Liabilities</u></b>		
Current liabilities	39,260	5,994
Total liabilities	39,260	5,994
<b><u>Net Assets</u></b>		
Invested in capital assets	6,206	12,457
Restricted	23	19,395
Unrestricted	183,769	104,026
Total net assets	\$ 189,998	\$ 135,878

The chart below illustrates the Academy's assets, liabilities and net assets at fiscal year-end for 2011 and 2010.



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Academy's assets exceeded liabilities by \$189,998.

At year-end, capital assets represented 2.71% of total assets. Capital assets consisted of computers and printers. There is no debt related to the capital assets. Capital assets are used to provide services to the students and are not available for future spending.



**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
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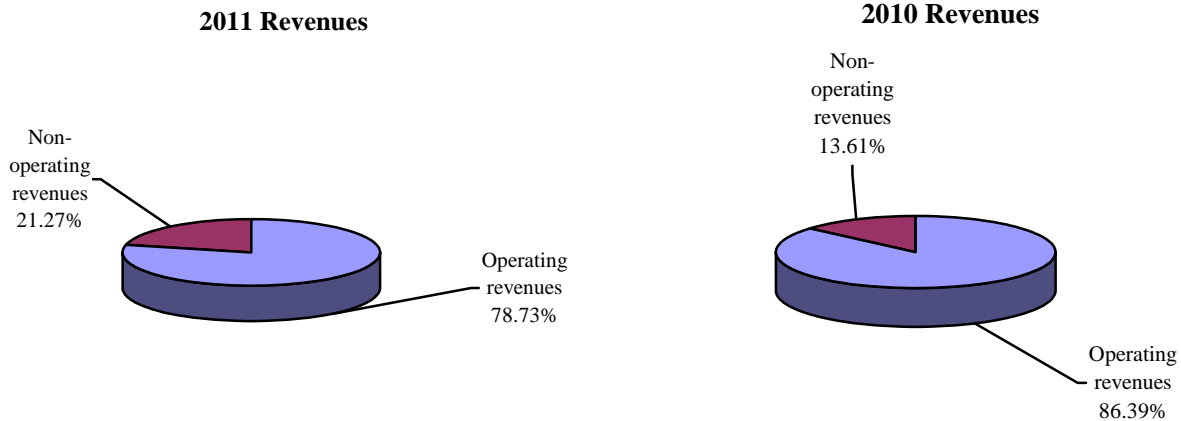
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The table below shows the changes in net assets for fiscal year 2011 and 2010.

**Change in Net Assets**

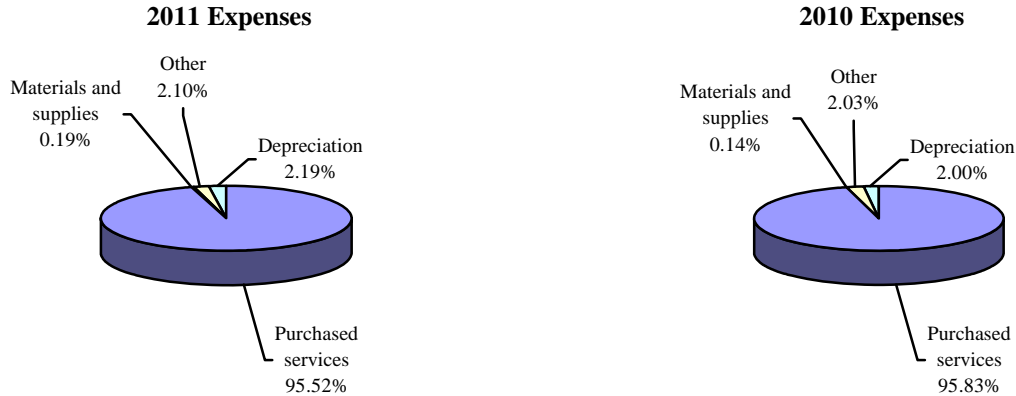
	<u>2011</u>	<u>2010</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 252,824	\$ 279,512
Other revenue	<u>14,233</u>	<u>12,477</u>
Total operating revenue	<u>267,057</u>	<u>291,989</u>
<b><u>Operating Expenses:</u></b>		
Purchased services	272,316	301,540
Materials and supplies	534	431
Other	5,990	6,376
Depreciation	<u>6,251</u>	<u>6,303</u>
Total operating expenses	<u>285,091</u>	<u>314,650</u>
<b><u>Non-operating revenues:</u></b>		
Federal and state grants	71,973	45,856
Interest income	<u>181</u>	<u>138</u>
Total non-operating revenues	<u>72,154</u>	<u>45,994</u>
Change in net assets	54,120	23,333
Net assets at beginning of year	<u>135,878</u>	<u>112,545</u>
Net assets at end of year	<u>\$ 189,998</u>	<u>\$ 135,878</u>

The charts below illustrate the revenues and expenses for the Academy during fiscal 2011 and 2010.



**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
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**MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)



**Economic Conditions and Outlook**

The Academy is a conversion community school sponsored by the Cardington-Lincoln Local School District. The sponsorship currently runs through 2013 and will be continuing from year to year.

At the present time, the Academy relies primarily on State funding for its resources. The Academy also received federal start up funds for the first two years of operations and receives a small federal grant (IDEA Part B) each year for special education purposes. Unlike traditional schools, the Academy cannot levy taxes and must survive on state revenues and various grants. As such, the Academy watches its expenditures closely. The Academy Director and teachers are contracted through Tri-Rivers Educational Computer Association (“TRECA”) and several curriculum providers. By operating in this fashion, the Academy is able to save substantial funds by not expending funds for fringe benefits, health care costs, etc. The Academy also contracts for EMIS and through TRECA. There are no immediate financial concerns at this time. The Academy’s five-year forecast is healthy and no budgetary cuts are projected in the upcoming five-years.

The Academy is committed to operating within its financial means, while providing quality online educational opportunities to its students. The management of the Academy will also continue to pursue adequate funding sources to secure its financial stability.

**Contacting the Academy’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Academy’s finances and to show the Academy’s accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Scott Osborne, Treasurer, Cardington-Lincoln Local Digital Academy, 121 Nichols St., Cardington, Ohio 43315.

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of Cardington-Lincoln Local School District)**  
**MORROW COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2011

<b>Assets:</b>	
<u>Current assets:</u>	
Equity in pooled cash and cash equivalents . . . . .	\$ 223,052
 <u>Non-current assets:</u>	
Depreciable capital assets, net . . . . .	6,206
 Total assets. . . . .	 <u>229,258</u>
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	39,260
 Total liabilities . . . . .	 <u>39,260</u>
 <b>Net assets:</b>	
Invested in capital assets . . . . .	6,206
Restricted for:	
Restricted for federal programs . . . . .	23
Unrestricted. . . . .	<u>183,769</u>
 Total net assets . . . . .	 <u><u>\$ 189,998</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of Cardington-Lincoln Local School District)**  
**MORROW COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>Operating revenues:</b>	
State foundation . . . . .	\$ 252,824
Other . . . . .	14,233
Total operating revenues . . . . .	<u>267,057</u>
 <b>Operating expenses:</b>	
Purchased services. . . . .	272,316
Materials and supplies . . . . .	534
Other operating expenses. . . . .	5,990
Depreciation . . . . .	6,251
Total operating expenses. . . . .	<u>285,091</u>
 Operating loss . . . . .	 <u>(18,034)</u>
 <b>Non-operating revenues:</b>	
Federal and state grants . . . . .	71,973
Interest revenue . . . . .	181
Total nonoperating revenues . . . . .	<u>72,154</u>
 Change in net assets. . . . .	 54,120
 <b>Net assets at beginning of year . . . . .</b>	 <u>135,878</u>
 <b>Net assets at end of year. . . . .</b>	 <u>\$ 189,998</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of Cardington-Lincoln Local School District)**  
**MORROW COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>Cash flows from operating activities:</b>	
Cash received from State foundation . . . . .	\$ 252,093
Cash received from other operations . . . . .	14,233
Cash payments to suppliers for goods and services . . . . .	(238,319)
Cash payments for materials and supplies . . . . .	(534)
Cash payments for other expenses . . . . .	(5,990)
	21,483
 <b>Net cash provided by operating activities . . . . .</b>	
	<b>21,483</b>
 <b>Cash flows from noncapital financing activities:</b>	
Federal and state grants . . . . .	91,477
	91,477
 <b>Net cash provided by noncapital financing activities. . . . .</b>	
	<b>91,477</b>
 <b>Cash flows from investing activities:</b>	
Interest received . . . . .	181
	181
 <b>Net cash provided by investing activities . . . . .</b>	
	<b>181</b>
Net increase in cash and cash cash equivalents . . . . .	113,141
<b>Cash and cash equivalents at beginning of year . . . . .</b>	109,911
<b>Cash and cash equivalents at end of year . . . . .</b>	\$ 223,052
	<b>223,052</b>
 <b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss . . . . .	\$ (18,034)
 Adjustments:	
Depreciation . . . . .	6,251
 Changes in assets and liabilities:	
Increase in accounts payable. . . . .	33,997
(Decrease) in intergovernmental payable . . . . .	(731)
	21,483
<b>Net cash provided by operating activities . . . . .</b>	\$ 21,483
	<b>21,483</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY  
(A Component Unit of Cardington-Lincoln Local School District)  
MORROW COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Cardington-Lincoln Local Digital Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect its tax exempt status. The Academy’s objective is to deliver a comprehensive educational program of high quality, tied to state and national standards, which can be delivered to students in the kindergarten through grade 12 populations entirely through distance learning technologies. It is to be operated under a contract with the Cardington-Lincoln Local School District to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and other, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. The Academy, which is part of the State’s education program, is nonsectarian in its programs, admissions policies, employment practices and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Academy was certified by the State of Ohio Secretary of State as a non-profit organization on October 1, 2002. The Academy was approved for operation under a contract between the Cardington-Lincoln Local School District (the “Sponsor”) for five years commencing July 1, 2004. A successor contract was approved for five years ending on June 30, 2013. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy operates under the direction of a five-member Board of Directors which consists of 5 community members who are neither officers nor employees of the Cardington-Lincoln Local School District, or other public official representing a governmental entity that desires to further the establishment and operation of the School District. Due to the amount of influence the Cardington-Lincoln Local School District has over the Academy’s Board, the Academy is a component unit of the Cardington-Lincoln Local School District. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Treasurer of Cardington-Lincoln Local School District is also the Treasurer of the Academy.

The Board of Directors has entered into a one-year contract with Tri-Rivers Educational Computer Association (“TRECA”) to provide planning, instructional, administrative and technical services required for the operation of the Academy (See Note 5).

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of Cardington-Lincoln Local School District)**  
**MORROW COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy does not apply FASB guidance issued after November 30, 1989. The Academy's significant accounting policies are described below.

**A. Basis of Presentation**

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

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

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

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

**D. Cash**

Cash received by the Academy is maintained in a demand deposit account.



**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
**(A Component Unit of Cardington-Lincoln Local School District)**  
**MORROW COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**E. Capital Assets and Depreciation**

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$500. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

**F. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**G. Intergovernmental Revenue**

The Academy currently participates in the Management Information Systems Grant, the IDEA Part B Grant, the Title I Grant, the Safe and Drug Free Schools Grant, the Improving Teacher Quality Grant, the Title V Grant, Title II-D Grant and the State Foundation Program. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Revenues received from the State Foundation Program are recognized as operating revenues.

**H. Accrued Liabilities**

The Academy has recognized certain expenses due, but unpaid as of June 30, 2011. These expenses are reported as accrued liabilities in the accompanying financial statements.

**I. Estimates**

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

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY  
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MORROW COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 3 - DEPOSITS**

At June 30, 2011, the carrying amount of the Academy's deposits was \$223,052. Based on the criteria discussed in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, the Academy's entire bank balance of \$223,052 was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

The Academy had no investments.

**NOTE 4 - CAPITAL ASSETS**

	<u>Balance</u>		<u>Balance</u>
	<u>6/30/2010</u>	<u>Additions</u>	<u>6/30/2011</u>
Equipment	\$ 124,420	\$ -	\$ 124,420
Less: accumulated depreciation	<u>(111,963)</u>	<u>(6,251)</u>	<u>(118,214)</u>
Net capital assets	<u>\$ 12,457</u>	<u>\$ (6,251)</u>	<u>\$ 6,206</u>

**NOTE 5 - SERVICE AGREEMENTS**

**A. Tri-Rivers Educational Computer Association**

The Academy entered into a one-year agreement with Tri-Rivers Educational Computer Association ("TRECA") for planning, instructional, administrative and technical services required for the operation of the Academy for fiscal year 2011. Under the contract, TRECA is required to provide the following services:

1. Instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy's educational plan, assessment and accountability plan and the sponsorship contract.
2. Responsibility for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes with respect to all personnel providing services to the Academy on behalf of TRECA. Also, all personnel shall possess any certification or licensure which may be required by law.
3. Provide technical services that include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel. The Academy is responsible for recovering and returning any and all equipment to TRECA. In cases where equipment is unrecoverable, the Academy shall reimburse TRECA up to \$900 per student except if the student has been enrolled in the Academy for at least 90 days, the Academy shall reimburse TRECA in the amount of \$700, and, if the student has been enrolled in the Academy for at least 180 days, the Academy shall reimburse TRECA in the amount of \$500.
4. Curricular services limited to standardized curriculum developed by TRECA.

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY**  
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**MORROW COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 5 - SERVICE AGREEMENTS - (Continued)**

For these services, the Academy is required to pay the following fees to TRECA:

Enrollment - \$3,910 per full time student enrolled per year. In case of a student enrolled with an Individualized education program (IEP), the Academy will determine if special education will be provided by TRECA or otherwise. If substantially all of the special education and services are provided to such a student by other than TRECA, the Academy does not have to pay TRECA the enrollment fee per the agreement, instead, actual costs for that student are provided by TRECA. If the special education for a student is provided by TRECA, then any additional amount received from Department of Education for special education and related services is due to TRECA for that student. The Academy receives a maximum reduction of \$47,500 to the enrollment fee by providing one full-time certified teacher who meets the staffing needs of TRECA. This is contingent on the staffing needs of TRECA and the reduction will be prorated with the actual amount dependent upon the number of days the teacher is contracted to work with TRECA.

**B. Cardington-Lincoln Local School District**

The Community School Sponsorship Contract and the annual Purchased Services Contract between the Academy and Cardington-Lincoln Local School District outlined the specific payments to be made by the Academy to Cardington-Lincoln Local School District during fiscal year 2011. In addition, the Community School Sponsorship Contract stated that the two parties agreed to pay other mutually agreed upon amounts, including fees for any services provided to the Academy by Cardington-Lincoln Local School District. The following payments were made in fiscal year 2011 from the Academy to Cardington-Lincoln Local School District:

Professional Services	\$ <u>5,000</u>
Total amount of payments made by the Academy to Cardington-Lincoln Local School District for fiscal year 2011	\$ <u>5,000</u>

At June 30, 2011 the Academy owes the Cardington-Lincoln Local School District \$39,260 in administrative fees in accordance to the sponsorship contract.

**NOTE 6 - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the Academy was named as an additional insured party on Cardington-Lincoln Local School District's, the Sponsor, insurance policy.

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

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY  
(A Component Unit of Cardington-Lincoln Local School District)  
MORROW COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 7 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

**B. Litigation**

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

**C. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. For fiscal year 2011, there was no adjustment needed.

**NOTE 8 - PURCHASED SERVICES**

For fiscal year ended June 30, 2011, purchased services expenses were as follows:

Professional and technical services	\$271,179
Transportation	356
Communications/Utilities	<u>781</u>
Total	<u><u>\$272,316</u></u>

**NOTE 9 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2011, the Academy has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the financial statements of the Academy.

**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY  
(A Component Unit of Cardington-Lincoln Local School District)  
MORROW COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 9 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

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# Dave Yost • Auditor of State

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

Cardington-Lincoln Local Digital Academy  
Morrow County  
121 Nichols Street  
Cardington, OH 43315

To the Board of Directors:

We have audited the basic financial statements of Cardington-Lincoln Local Digital Academy, Morrow County, Ohio, (the Academy), a component unit of Cardington-Lincoln Local School District, as of and for the year ended June 30, 2011, and have issued our report thereon dated April 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed

an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated April 16, 2012.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Directors, the Cardington Lincoln Local School District, and others within the Academy. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

April 16, 2012



**CARDINGTON-LINCOLN LOCAL DIGITAL ACADEMY  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Non compliance/Material Weakness**

**Ohio Revised Code 3314.03(C)** states that a contract entered into under section 3314.02 of the Revised Code between a sponsor and the governing authority of a community school may provide for the community school governing authority to make payments to the sponsor, which is hereby authorized to receive such payments as set forth in the contract between the governing authority and the sponsor. The total amount of such payments for oversight and monitoring of the school shall not exceed three per cent of the total amount of payments for operating expenses that the school receives from the state.

**Article VI Section F of the Community School Sponsorship Contract** between the Cardington Lincoln Local School District (Sponsor) and the Academy states that pursuant to section 3314.03(c) of the Ohio Revised Code, and unless otherwise agreed by the parties, the School shall pay to the sponsor, from the funding provided to the school by the Ohio Department of Education, \$1,000 per academic year, for each and every student enrolled in the School. Such amount shall be prorated for the portion of the academic year for which the student is enrolled in the school, if less than all.

The Academy failed to pay the sponsor, Cardington-Lincoln Local School District, the amount of \$1,000 per student per year as an administrative fee in accordance to Article VI Section F of the sponsorship agreement. The financial statements were adjusted to reflect a liability and expense for \$39,260 at June 30, 2011. The Academy paid the sponsor for the amount owed for fiscal year 2011 on February 13, 2012.

We recommend that the Academy ensure payments are made to the sponsor in accordance to the sponsorship agreement.

**Official's Response:** The Digital Academy had a change in Treasurers and also employed an Interim Treasurer during the second half of 2011. The delay of payment was due to this change and transition of Treasurers. The District recognizes this requirement and we do not expect any delays of payment in future years.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Cardington-Lincoln Local Digital Academy  
Morrow County  
121 Nichols Street  
Cardington, Ohio 43315

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Cardington-Lincoln Local Digital Academy has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Academy amended its anti-harassment policy at its meeting on May 9, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

April 16, 2012

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# Dave Yost • Auditor of State

**CARDINGTON LINCOLN LOCAL DIGITAL ACADEMY**

**MORROW COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 10, 2012**