



**Mary Taylor, CPA**  
Auditor of State



**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Cory-Rawson Local School District  
Hancock County  
3930 County Road 26  
Rawson, Ohio 45881-9609

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Cory-Rawson Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Cory-Rawson Local School District, Hancock County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General fund 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, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

April 16, 2008

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited**

The discussion and analysis of the Cory-Rawson Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2006 are as follows:

- In total, net assets increased \$186,085 or 9.2 percent.
- General revenues accounted for \$5,841,662, or 84 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$1,144,973 or 16 percent of total revenues of \$6,986,635.
- The District's major fund is the General Fund. The General Fund had \$6,149,875 in revenues and \$5,821,723 in expenditures and other financing uses. The General Fund's balance increased \$328,152 from the prior fiscal year.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

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

For the District, the General Fund is by far the most significant fund. The General Fund is the only major fund.

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental fund is the General Fund. While the District uses many funds to account for its financial transactions, the General Fund is the most significant.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.



**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 1  
Net Assets  
Governmental Activities**

	<b>2006</b>	<b>2005 Restated</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$3,147,196	\$2,778,209
Capital Assets, Net	2,637,014	2,770,229
Total Assets	5,784,210	5,548,438
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	2,489,831	2,470,949
Long-Term Liabilities	456,555	425,920
Total Liabilities	2,946,386	2,896,869
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	2,519,023	2,631,146
Restricted	118,008	153,579
Unrestricted	200,793	(132,986)
Total	\$2,837,824	\$2,651,739

The changes in net assets were insignificant.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 2  
Change in Net Assets  
Governmental Activities**

	<u>2006</u>	<u>2005</u>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$496,829	\$517,457
Operating Grants, Contributions and Interest	644,928	563,384
Capital Grants and Contributions	3,216	15,517
Total Program Revenues	<u>1,144,973</u>	<u>1,096,358</u>
General Revenues:		
Property Taxes	1,680,085	1,635,234
Income Taxes	1,225,640	1,184,930
Payment in Lieu of Taxes	81,025	51,555
Grants and Entitlements	2,774,121	2,353,679
Interest	35,284	17,054
Gifts and Donations	14,713	9,208
Miscellaneous	30,794	11,918
Total General Revenues	<u>5,841,662</u>	<u>5,263,578</u>
Total Revenues	<u>6,986,635</u>	<u>6,359,936</u>
<b><u>Expenses:</u></b>		
Instruction	3,628,147	3,177,861
Support Services:		
Pupils	204,029	186,307
Instructional Staff	360,496	326,224
Board of Education	44,090	26,523
Administration	697,874	693,247
Fiscal	205,057	171,695
Operation and Maintenance of Plant	615,426	737,697
Pupil Transportation	334,810	285,602
Central	14,590	4,230
Operation of Non-Instructional Services	226,091	231,841
Extracurricular Activities	290,570	315,646
Capital Outlay		7,402
Intergovernmental	173,352	152,965
Interest and Fiscal Charges	6,018	7,212
Total Expenses	<u>6,800,550</u>	<u>6,324,452</u>
Increase in Net Assets	<u>\$186,085</u>	<u>\$35,484</u>

The District received additional grant monies and spent more on regular instruction due to open enrollment costs.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>
<b><u>Expenses:</u></b>				
Instruction	\$3,628,147	\$2,888,496	\$3,177,861	\$2,513,829
Support Services:				
Pupils	204,029	199,029	186,307	181,307
Instructional Staff	360,496	360,496	326,224	326,224
Board of Education	44,090	44,090	26,523	26,523
Administration	697,874	697,874	693,247	693,247
Fiscal	205,057	205,057	171,695	171,695
Operation and Maintenance of Plant	615,426	615,426	737,697	728,591
Pupil Transportation	334,810	322,365	285,602	272,139
Central	14,590	4,327	4,230	4,230
Operation of Non-Instructional Services	226,091	(24,316)	231,841	14,032
Extracurricular Activities	290,570	163,363	315,646	128,698
Capital Outlay			7,402	7,402
Intergovernmental	173,352	173,352	152,965	152,965
Interest and Fiscal Charges	6,018	6,018	7,212	7,212
Total Expenses	<u>\$6,800,550</u>	<u>\$5,655,577</u>	<u>\$6,324,452</u>	<u>\$5,228,094</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 79 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 86 percent. The remaining 14 percent are derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental fund is the General Fund. Total governmental funds had revenues and other financing sources of \$6,916,834 and expenditures and other financing uses of \$6,640,468. The net positive change of \$276,366 in fund balance for the year indicates that the District is able to meet current costs.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006, the District amended its General Fund budget as needed.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

Final revenues were budgeted at \$5,469,784 while actual revenues and other financing sources were \$6,365,194. The \$895,410 difference is primarily due to open enrollment revenues and grants.

Final expenditures and other financing uses were budgeted at \$5,701,803 while actual expenditures and other financing uses were \$5,976,453. The \$274,650 difference is primarily due to open enrollment costs and that advances are not required to be budgeted.

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2006, the District had \$2,637,014 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2006, the District had outstanding tax anticipation notes, in the amount of \$101,530. In addition, long-term obligations consisted of a tractor loan and compensated absences, in the amount of \$16,461 and \$440,094 respectively. For further information regarding the District's debt, see the notes to the basic financial statements.

**Current Issues**

The District is holding its own in the state of a declining economy and uncertainty in State funding. Cory-Rawson Local School District is a small rural district located in the southwest corner of Hancock County that includes the villages of Mt. Cory, Jenera and Rawson along with all or portions of the following townships: Blanchard, Eagle, Orange and Union. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

In November 2003, the District passed a  $\frac{3}{4}$ % income tax for five years. The original 1% is continuing. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sheila Hausknecht, Treasurer, Cory-Rawson Local School District, 3930 County Road 26, Rawson, Ohio 45881-9609.

**CORY RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Net Assets  
June 30, 2006**

		<u><b>Governmental Activities</b></u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	814,129
Materials and Supplies Inventory		2,275
Accrued Interest Receivable		5,893
Accounts Receivable		1,704
Intergovernmental Receivable		24,676
Prepaid Items		56,287
Taxes Receivable		1,738,229
Income Taxes Receivable		504,003
Non-Depreciable Capital Assets		42,390
Depreciable Capital Assets, net		<u>2,594,624</u>
Total Assets		<u><u>5,784,210</u></u>
<b>Liabilities:</b>		
Accounts Payable		5,952
Accrued Wages and Benefits		660,785
Intergovernmental Payable		153,503
Matured Compensated Absences Payable		5,090
Deferred Revenue		1,562,971
Notes Payable		101,530
Long-Term Liabilities:		
Due Within One Year		20,173
Due in More Than One Year		<u>436,382</u>
Total Liabilities		<u><u>2,946,386</u></u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt		2,519,023
Restricted for Debt Service		5,278
Restricted for Other Purposes		112,730
Unrestricted		<u>200,793</u>
Total Net Assets	\$	<u><u>2,837,824</u></u>

See Accompanying Notes to the Basic Financial Statements

**CORY RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2006**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 2,929,041	\$ 230,657	\$ 51,380	\$ (2,647,004)
Special	468,043		421,493	(46,550)
Vocational	168,923		36,121	(132,802)
Other	62,140			(62,140)
Support Services:				
Pupils	204,029		5,000	(199,029)
Instructional Staff	360,496			(360,496)
Board of Education	44,090			(44,090)
Administration	697,874			(697,874)
Fiscal	205,057			(205,057)
Operation and Maintenance of Plant	615,426			(615,426)
Pupil Transportation	334,810		9,229	(322,365)
Central	14,590		10,263	(4,327)
Operation of Non-Instructional Services	226,091	163,318	87,089	24,316
Extracurricular Activities	290,570	102,854	24,353	(163,363)
Intergovernmental	173,352			(173,352)
Debt Service:				
Interest and Fiscal Charges	6,018			(6,018)
<b>Totals</b>	<b>\$ 6,800,550</b>	<b>\$ 496,829</b>	<b>\$ 644,928</b>	<b>\$ 3,216</b>

General Revenues:

Taxes:		
Property Taxes, Levied for General Purposes		1,594,919
Property Taxes, Levied for Capital Outlay		85,166
Payment in Lieu of Taxes		81,025
Income Taxes		1,225,640
Grants and Entitlements not Restricted to Specific Programs		2,774,121
Gifts and Donations		14,713
Investment Earnings		35,284
Miscellaneous		30,794
<b>Total General Revenues</b>		<b>5,841,662</b>
Change in Net Assets		186,085
Net Assets Beginning of Year - Restated (Note 3)		2,651,739
<b>Net Assets End of Year</b>		<b>\$ 2,837,824</b>

See Accompanying Notes to the Basic Financial Statements

**CORY RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2006**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 720,371	\$ 93,545	\$ 813,916
Materials and Supplies Inventory		2,275	2,275
Accrued Interest Receivable	5,837	56	5,893
Accounts Receivable	162	1,542	1,704
Interfund Receivable	51,522		51,522
Intergovernmental Receivable		24,676	24,676
Prepaid Items	55,228	1,059	56,287
Taxes Receivable	1,649,125	89,104	1,738,229
Income Taxes Receivable	504,003		504,003
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	213		213
<b>Total Assets</b>	<b>\$ 2,986,461</b>	<b>\$ 212,257</b>	<b>\$ 3,198,718</b>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	2,880	3,072	5,952
Accrued Wages and Benefits	643,159	17,626	660,785
Interfund Payable		51,522	51,522
Intergovernmental Payable	142,468	11,035	153,503
Matured Compensated Absences Payable	5,090		5,090
Deferred Revenue	1,625,282	97,371	1,722,653
Notes Payable		101,530	101,530
	2,418,879	282,156	2,701,035
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	7,332	15,978	23,310
Reserved for Inventory		2,275	2,275
Reserved for Property Taxes	116,175	5,825	122,000
Reserved for Capital Improvements	213		213
Unreserved, Undesignated, Reported in:			
General Fund	443,862		443,862
Special Revenue Funds		(17,180)	(17,180)
Debt Service Funds		5,278	5,278
Capital Projects Funds		(82,075)	(82,075)
<b>Total Fund Balances</b>	<b>567,582</b>	<b>(69,899)</b>	<b>497,683</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,986,461</b>	<b>\$ 212,257</b>	<b>\$ 3,198,718</b>

See Accompanying Notes to the Basic Financial Statements

**CORY RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2006**

Total Governmental Fund Balances	\$	497,683
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		2,637,014
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Property Taxes Receivables	\$	53,258	
Income Taxes Receivables		92,332	
Intergovernmental Revenues		14,092	159,682

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Loan Payable		(16,461)	
Compensated Absences Payable		(440,094)	(456,555)

Net Assets of Governmental Activities	\$	2,837,824
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See Accompanying Notes to Basic Financial Statements



**CORY RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2006**

	<b>General Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>			
Property and Other Local Taxes	\$ 1,553,627	\$ 82,990	\$ 1,636,617
Income Tax	1,209,631		1,209,631
Payment in Lieu of Taxes	81,025		81,025
Intergovernmental	3,030,164	352,416	3,382,580
Interest	34,333	951	35,284
Tuition and Fees	230,657		230,657
Rent	1,656		1,656
Extracurricular Activities		102,854	102,854
Gifts and Donations	6,182	34,124	40,306
Customer Sales and Services	1,522	163,318	164,840
Miscellaneous	1,078	26,538	27,616
Total Revenues	6,149,875	763,191	6,913,066
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	2,719,406	139,507	2,858,913
Special	451,783	7,441	459,224
Vocational	163,108	1,095	164,203
Other	62,140		62,140
Support Services:			
Pupils	201,225		201,225
Instructional Staff	351,307	7,852	359,159
Board of Education	33,017	11,073	44,090
Administration	651,700	38,149	689,849
Fiscal	200,917	1,836	202,753
Operation and Maintenance of Plant	532,586	62,568	595,154
Pupil Transportation	295,982	1,423	297,405
Central	2,389	12,201	14,590
Operation of Non-Instructional Services		231,150	231,150
Extracurricular Activities	152,395	122,841	275,236
Debt Service:			
Principal		2,239	2,239
Interest		6,018	6,018
Intergovernmental		173,352	173,352
Total Expenditures	5,817,955	818,745	6,636,700
Excess of Revenues Over (Under) Expenditures	331,920	(55,554)	276,366
<b>OTHER FINANCING SOURCES AND USES:</b>			
Transfers In		3,768	3,768
Transfers Out	(3,768)		(3,768)
Total Other Financing Sources and Uses	(3,768)	3,768	276,366
Net Change in Fund Balances	328,152	(51,786)	276,366
Fund Balance (Deficit) at Beginning of Year			
- Restated (Note 3)	239,430	(18,113)	221,317
Fund Balance (Deficit) at End of Year	\$ 567,582	\$ (69,899)	\$ 497,683

See Accompanying Notes to the Basic Financial Statements

**CORY RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement of Activities  
For the Fiscal Year Ended June 30, 2006**

Net Change in Fund Balances - Total Governmental Funds	\$	276,366
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p> <p>Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.</p>		
Capital Outlay - Depreciable Capital Assets	\$ 60,728	
Depreciation	<u>(193,943)</u>	(133,215)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Property Taxes	43,468	
Intergovernmental	14,092	
Income Tax	<u>16,009</u>	73,569
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.</p>		
		2,239
<p>Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>		
Compensated Absences Payable		(14,174)
Loan Payable		(18,700)
Change in Net Assets of Governmental Activities	\$	<u><u>186,085</u></u>

See Accompanying Notes to Basic Financial Statements

**CORY RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 1,595,416	\$ 1,541,591	\$ 1,593,621	\$ 52,030
Income Taxes	1,075,000	1,075,000	1,225,479	150,479
Intergovernmental	2,763,809	2,763,809	3,111,189	347,380
Interest	12,000	23,362	31,217	7,855
Tuition and Fees	22,172	22,172	230,713	208,541
Rent	1,600	1,600	1,656	56
Gifts and Donations			6,182	6,182
Customer Sales and Services	41,900	41,900	1,522	(40,378)
Miscellaneous	350	350	175	(175)
<b>Total Revenues</b>	<u>5,512,247</u>	<u>5,469,784</u>	<u>6,201,754</u>	<u>731,970</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,547,576	2,561,881	2,692,510	(130,629)
Special	396,915	438,515	443,904	(5,389)
Vocational	142,131	142,131	161,889	(19,758)
Other	66,500	66,500	62,140	4,360
Support services:				
Pupils	194,026	209,026	200,558	8,468
Instructional Staff	326,546	350,546	346,041	4,505
Board of Education	20,123	35,123	32,991	2,132
Administration	661,140	661,140	650,732	10,408
Fiscal	189,547	189,547	201,793	(12,246)
Operation and Maintenance of Plant	541,406	559,406	554,953	4,453
Pupil Transportation	272,745	284,745	297,666	(12,921)
Central	2,500	2,500	2,389	111
Extracurricular activities	161,043	161,043	153,483	7,560
<b>Total Expenditures</b>	<u>5,522,198</u>	<u>5,662,103</u>	<u>5,801,049</u>	<u>(138,946)</u>
Excess of Revenues Over (Under) Expenditures	<u>(9,951)</u>	<u>(192,319)</u>	<u>400,705</u>	<u>593,024</u>
<b>Other Financing Sources (Uses):</b>				
Notes Issued			18,438	18,438
Proceeds from Sale of Fixed Assets			125	125
Refund of Prior Year Expenditures			700	700
Advances In			144,177	144,177
Transfers Out	(9,700)	(9,700)	(3,500)	6,200
Advances Out		(30,000)	(171,904)	(141,904)
<b>Total Other Financing Sources (Uses)</b>	<u>(9,700)</u>	<u>(39,700)</u>	<u>(11,964)</u>	<u>27,736</u>
Net Change in Fund Balance	(19,651)	(232,019)	388,741	620,760
Fund Balance at Beginning of Year	307,972	307,972	307,972	
Prior Year Encumbrances Appropriated	15,523	15,523	15,523	
<b>Fund Balance at End of Year</b>	<u>\$ 303,844</u>	<u>\$ 91,476</u>	<u>\$ 712,236</u>	<u>\$ 620,760</u>

See Accompanying Notes to Basic Financial Statements

**CORY RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>9,346</u>	\$ <u>25,680</u>
Liabilities:		
Due to Students		\$ <u>25,680</u>
Net Assets:		
Held in Trust for Scholarships	\$ <u>9,346</u>	

See Accompanying Notes to the Basic Financial Statements

**CORY RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2006**

	<u>Private Purpose Trust</u>
Deductions:	
Scholarships	\$ <u>1,000</u>
Change in Net Assets	(1,000)
Net Assets at Beginning of Year - Restated (Note 3)	<u>10,346</u>
Net Assets at End of Year	<u>\$ <u>9,346</u></u>

See Accompanying Notes to the Basic Financial Statements

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Cory-Rawson Local School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by state and federal guidelines.

The District was established in 1949 through the consolidation of existing land areas and school districts. The District serves an area of approximately one hundred five square miles. It is located in Hancock County. The District is the 560th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 37 classified employees, 56 certified teaching personnel, and six administrative employees who provide services to 710 students and other community members. It currently operates an elementary school and a middle/high school.

**The Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Cory-Rawson Local School District, this includes general operations, food service, and student related activities of the District.

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

The District's reporting entity includes the following:

Trinity Evangelical Lutheran School - Within the District's boundaries, Trinity Evangelical Lutheran School is operated as a private school. Current State legislation provides funding to the parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The activity is reflected in a special revenue fund of the District.

The District is associated with six jointly governed organizations and two insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative (NOACSC), Millstream Cooperative Vocational Career Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., West Central Regional Professional Development Center, Northwest Ohio Special Education Regional Resource Center, Hancock County Schools Insurance Consortium Group Health Plan, and the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 16 and 17 to the basic financial statements.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic 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 also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

**A. Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District has one major governmental fund.

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the District account for grants, other resources and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

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

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.



**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Fund Financial Statements

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

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

The private purpose trust fund is reported using the economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by the Board of Education.

The certificates of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2006, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006, was \$34,333 which includes \$4,342 assigned from other District funds.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**G. Inventory**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, purchased food, and school supplies held for resale and are expensed when used. The cost of inventory items is recorded as an expenditure when purchased.

**H. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for capital improvements.

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$1,000. The District does not possess 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. Interest incurred during construction of capital assets is also not capitalized.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<b>Description</b>	<b>Estimated Lives</b>
Land Improvements	30-40 years
Buildings and Building Improvements	30 - 113 years
Furniture, Fixtures and Equipment	10-40 years
Vehicles	10 - 15 years

**J. Interfund Balances**

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

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**L. Accrued Liabilities and Long-Term Obligations**

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

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include federal and state grants restricted to expenditure for specified purposes.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2006, there were no net assets restricted by enabling legislation.

**N. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund reserves have been established for inventory, property taxes, capital improvements, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**O. Interfund Transactions**

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

Interfund activity between governmental funds is eliminated in the statement of activities.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**P. Prepaid Items**

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

**Q. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

**3. ACCOUNTING CHANGE AND RESTATEMENT OF FUND BALANCE/NET ASSETS**

**A. Accounting Change**

In the prior fiscal year, the District reported several funds incorrectly. In addition, the District misstated the useful lives and classifications on some of its capital assets

**B. Restatement of Fund Balance/Net Assets**

The restatement due to the above changes had the following effect on fund balance of the major and nonmajor funds of the District as they were previously reported.

	General	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2005	\$237,515	(\$16,368)	\$221,147
Change in Fund Structure	1,915	(1,745)	170
Restated Fund Balance at June 30, 2005	\$239,430	(\$18,113)	\$221,317

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**3. ACCOUNTING CHANGE AND RESTATEMENT OF FUND BALANCE/NET ASSETS – (Continued)**

The restatement had the following effect on net assets.

	Total Governmental Activities	Private Purpose Trust
Net Assets at June 30, 2005	\$2,022,590	\$10,516
Change in Fund Structure	170	(170)
Capital Asset Restatement	628,979	
Adjusted Net Assets at June 30, 2005	\$2,651,739	\$10,346

**4. BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).



**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING – (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

<b>Net Change in Fund Balance Major Governmental Fund</b>	
GAAP Basis	\$328,152
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received In Cash FY 2006	586,549
Accrued FY 2006, Not Yet Received in Cash	(534,670)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(694,409)
Accrued FY 2006, Not Yet Paid in Cash	739,194
Advances Net	(27,727)
Encumbrances Outstanding at Year End (Budget Basis)	(8,348)
Budget Basis	\$388,741

**5. DEPOSITS AND INVESTMENTS**

Monies held by the District are classified by State statute into three categories.

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

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

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**5. DEPOSITS AND INVESTMENTS – (Continued)**

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement by at least two percent and to 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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 through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if trading requirements have been met.

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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$657,216 of the District's bank balance of \$758,048 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**5. DEPOSITS AND INVESTMENTS – (Continued)**

Investments

As of June 30, 2006, the carrying value of funds on deposit with STAR Ohio was \$193,121. The District's investments in STAR Ohio have an average maturity of 34.8 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy for interest rate or credit risk beyond the requirements of state statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes for 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2006 were levied after April 1, 2005, on the assessed values as of December 31, 2004, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes for 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Hancock County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**6. PROPERTY TAXES – (Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2006 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2006, was \$116,175 in the General Fund, and \$5,825 in the Capital Projects Fund. The amount available as an advance at June 30, 2005, was \$156,169 in the General Fund, and \$7,831 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<b>2005 Second- Half Collections</b>		<b>2006 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$58,412,610	77%	\$59,757,300	79%
Industrial/Commercial	6,079,090	8%	6,129,590	8%
Public Utility	3,630,060	5%	3,713,800	5%
Tangible Personal	7,719,956	10%	6,225,201	8%
Total Assessed Value	<u>\$75,841,716</u>	<u>100%</u>	<u>\$75,825,891</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$34.50		\$34.50	

**7. INCOME TAX**

The District levies a voted tax of 1 percent that was effective on January 1, 1992, and is for a continuing period. In November 2003, the District levied an additional voted .75 percent income tax effective on January 1, 2004 and is for a period of five years. The income tax is for general operations on the income of residents and of estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**8. RECEIVABLES**

Receivables at June 30, 2006, consisted of income and property taxes, accounts (billings for user charged services and student fees), intergovernmental, and accrued interest. 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 intergovernmental receivables follows:

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**8. RECEIVABLES – (Continued)**

	<b>Amount</b>
Governmental Activities:	
Food Service	\$9,583
Title VI-B	12,328
Title I	1,764
Preschool Grant	1,001
Total Intergovernmental Receivables	<b>\$24,676</b>

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<b>Balance at 6/30/05 Restated</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/06</b>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$42,390			\$42,390
Total Nondepreciable Capital Assets	42,390			42,390
Depreciable Capital Assets				
Land Improvements	63,354			63,354
Buildings and Building Improvements	3,336,129	\$5,089		3,341,218
Furniture, Fixtures, and Equipment	1,449,885	55,639		1,505,524
Vehicles	715,800			715,800
Total Depreciable Capital Assets	5,565,168	60,728		5,625,896
Less Accumulated Depreciation				
Land Improvements	26,477	477		26,954
Buildings and Building Improvements	1,614,747	56,128		1,670,875
Furniture, Fixtures, and Equipment	835,316	95,843		931,159
Vehicles	360,789	41,495		402,284
Total Accumulated Depreciation	2,837,329	193,943		3,031,272
Depreciable Capital Assets, Net	2,727,839	(133,215)		2,594,624
Governmental Activities Capital Assets, Net	<b>\$2,770,229</b>	<b>(\$133,215)</b>		<b>\$2,637,014</b>

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**9. CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$90,629
Special	7,311
Vocational	4,181
Pupils	1,943
Support Services:	
Instructional Staff	3,767
Administration	5,738
Fiscal	2,439
Operation and Maintenance of Plant	15,109
Pupil Transportation	40,493
Operations of Non-Instruction	4,599
Extracurricular	17,734
Total Depreciation Expense	\$193,943

**10. RISK MANAGEMENT**

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 2006, the District contracted for the following insurance coverage:

**Coverage provided by Indiana National Insurance Group is as follows:**

Buildings and Contents - replacement cost (\$5000 deductible)	\$16,965,332
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General School District Liability (\$1,000 deductible)	
Aggregate	2,000,000
Umbrella	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

The District participates in the Hancock County Schools Insurance Consortium Group Health Plan (Plan), a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The District pays monthly premiums to the Plan for employee medical, dental, vision, and life insurance benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**10. RISK MANAGEMENT – (Continued)**

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., review each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

**11. DEFINED BENEFIT PENSION PLANS**

**A. 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 and disability benefits to members and death and survivor benefits to 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. The report may be obtained by writing to State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently selected the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS – (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contributions for pension obligations for the DB Plan for fiscal years ended June 30, 2006, 2005, and 2004, were \$364,273, \$352,274 and \$336,011, respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$136 made by the District and \$3,958 made by plan members.

**B. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2006, plan members are required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate. The rate for fiscal year 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$85,778, \$82,972, and \$69,685 respectively; 45 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.



**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS – (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2006, one of the Board members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**12. POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2006, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.5 billion on June 30, 2006.

For the year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000. There were 119,184 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2006 the allocation rate is 3.42%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2006, the minimum pay has been established as \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS – (Continued)**

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006, were \$158,751,207. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.5 million. The number of participants eligible to receive benefits is 59,492.

**13. OTHER EMPLOYEE BENEFITS**

**A. COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for school personnel. Upon retirement, payment is made for one-third of their accrued, but unused sick leave credit to a maximum of 50 days. Additional sick leave bonus days may be earned by employees meeting certain criteria. Bonus days earned can increase the maximum sick leave days paid upon retirement to 75 days.

**B. Health Care Benefits**

The District provides medical, dental, vision, and life insurance to all employees through the Hancock County Schools Insurance Consortium Group Health Plan. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

**14. NOTES PAYABLE**

On June 28, 2004, the District issued tax anticipation notes, in the amount of \$175,000, for permanent improvements. The notes were issued under the authority of House Bill 710 for a five-year period, with final maturity during fiscal year 2009. The notes have an interest rate of 4.4 percent. The notes are being repaid through the Permanent Improvement capital projects fund with tax revenues. The outstanding balance at June 30, 2006, was \$101,530.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**14. NOTES PAYABLE – (Continued)**

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2006, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$39,263	\$3,735	\$42,998
2008	41,046	1,951	42,997
2009	21,221	278	21,499
Total	<u>\$101,530</u>	<u>\$5,964</u>	<u>\$107,494</u>

**15. LONG-TERM OBLIGATIONS**

Changes in the District's long-term obligations during fiscal year 2006 were as follows:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/06</u>	<u>Due Within One Year</u>
Long Term Obligations:					
Tractor Loan		\$18,700	\$2,239	\$16,461	\$3,497
Compensated Absences Payable	\$425,920	440,094	425,920	440,094	16,676
Total General Long-Term Obligations	<u>\$425,920</u>	<u>\$458,794</u>	<u>\$428,159</u>	<u>\$456,555</u>	<u>\$20,173</u>

2006 Tractor Loan - On October 28, 2005, the District obtained a loan, in the amount of \$18,700, for a tractor. The loan was obtained for a five-year period, with final maturity in fiscal year 2011.

Compensated absences will be paid from the fund from which the employee's salaries are paid.

The District's overall debt margin was \$5,811,829 with an unvoted debt margin of \$65,887 at June 30, 2006.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2006, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$3,497	\$725	\$4,222
2008	3,670	552	4,222
2009	3,854	368	4,222
2010	4,047	175	4,222
2011	1,393	14	1,407
Total	<u>\$16,461</u>	<u>\$1,834</u>	<u>\$18,295</u>

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2006, the District paid \$8,516 to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

**B. Millstream Cooperative Vocational Career Center**

The Millstream Cooperative Vocational Career Center is a distinct political subdivision of the State of Ohio established under Section 3313.90. The Career Center provides vocational instruction to students. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative from the Findlay City School District. The Treasurers from the Hancock and Putnam County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District Treasurer, 227 South West Street, Findlay, Ohio 45840-3377.

**C. Hancock County Local Professional Development Committee**

The Hancock County Local Professional Development Committee (HCLPDC) was established in 1999 to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The HCLPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The HCLPDC is governed by a thirteen member Executive Board. Financial information can be obtained from Hancock County Educational Service Center, who serves as fiscal agent, 7746 County Road 140, Findlay, Ohio 45840.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representative from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**E. West Central Regional Professional Development Center**

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two-member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Treasurer, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**F. Northwest Ohio Special Education Regional Resource Center**

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is made up of school districts from Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. The SERRC is governed by a thirty-three member board consisting of twenty-six superintendents, one director of student services, one parent representative, one representative from a community school, one representative from a mental health board, one representative from a parent advisory council, one representative from Bowling Green State University, and one representative from the University of Toledo. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from David Michel, Eastwood Local Schools, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
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**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**17. INSURANCE POOLS**

**A. Hancock County Schools Insurance Consortium Group Health Plan**

The Hancock County Schools Insurance Consortium Group Health Plan (Plan) is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The Plan is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to the employees of the participants. Each participants' superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Plan.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Sky Insurance, P.O. Box 10079, 1695 Indian Wood Circle, Maumee, OH 43537.

**B. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**18. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**18. SET-ASIDE CALCULATIONS AND FUND RESERVES – (Continued)**

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute.

	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set-aside Cash Balance as of June 30, 2005	(\$17,148)	\$4,506
Current Year Set-aside Requirement	100,682	100,682
Current Year Offsets		(97,714)
Qualifying Disbursements	(114,026)	(7,261)
Set-aside Amounts Carried Forward to Fiscal Year 2007	(\$30,492)	\$213
Total Restricted Assets		\$213

**19. INTERFUND TRANSFERS**

During the year ended June 30, 2006, the District transferred \$3,768 from the general fund to other governmental funds to set aside resources for the future payment of expenditures in the principal funds.

**20. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and 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 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 adverse effect on the overall financial position of the District at June 30, 2006.

**B. Litigation**

There are currently no matters in litigation with the District as defendant.

**21. ACCOUNTABILITY**

At June 30, 2006, the Food Service, Eisenhower, Title VI-B, Telecom, and the Permanent Improvement, Non-major funds had deficit fund balances of \$50,928, \$452, \$4,562, \$1,228, and \$73,781, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit fund balances; however, this is done when cash is needed rather than when accruals occur.

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# Mary Taylor, CPA

Auditor of State

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

Cory-Rawson Local School District  
Hancock County  
3930 County Road 26  
Rawson, Ohio 45881-9609

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Cory-Rawson Local School District, Hancock County, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 16, 2008. 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 District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

In a separate letter to the District's management dated April 16, 2008, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

In a separate letter to the District's management dated April 16, 2008, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit and finance committees, management, and Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 16, 2008

**CORY-RAWSON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Finding For Recovery for Board Member not reimbursing the District for health insurance.	Yes	
2005-002	Recommendation for accounting for Student Activities.	No	Partially corrected and reduced to management letter comment.





**Mary Taylor, CPA**  
Auditor of State

**CORY RAWSON LOCAL SCHOOL DISTRICT**  
**HANCOCK 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 29, 2008**