



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



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, 2007, 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, 2007, 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 THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of 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, 2007. 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.

Highlights

Highlights for fiscal year 2007 are as follows:

- In total, net assets decreased \$31,008, or 1 percent, which is not a significant change.
- General revenues were 85 percent of total revenues and continue to reflect the District's significant dependence on taxes and unrestricted state entitlements.

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 Cory-Rawson Local School 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 nonmajor funds presented in total in a single column. For Cory-Rawson Local School District, the General Fund is the most significant fund.

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that 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.

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, all of the District's activities are presented as governmental activities, which include instruction, support services, non-instructional services, and extracurricular activities.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Reporting the District's Most Significant Funds

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

Governmental Funds - All 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 financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2007 and fiscal year 2006:

Table 1 Net Assets			
	Governmental Activities		
	2007	2006	Change
<u>Assets:</u>			
Current and Other Assets	\$3,423,170	\$3,147,196	\$275,974
Capital Assets, Net	2,536,801	2,637,014	(100,213)
Total Assets	<u>5,959,971</u>	<u>5,784,210</u>	<u>175,761</u>
<u>Liabilities:</u>			
Current and Other Liabilities	2,659,173	2,489,831	(169,342)
Long-Term Liabilities	493,982	456,555	(37,427)
Total Liabilities	<u>3,153,155</u>	<u>2,946,386</u>	<u>(206,769)</u>
			(continued)

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Table 1
Net Assets
(continued)

	Governmental Activities		
	2007	2006	Change
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	\$2,461,570	\$2,519,023	(\$57,453)
Restricted	113,047	118,008	(4,961)
Unrestricted	232,199	200,793	31,406
Total Net Assets	\$2,806,816	\$2,837,824	(\$31,008)

As mentioned previously, the change in net assets from the prior fiscal year was 1 percent, which is not significant. A review of the above table demonstrates that the overall change in assets and liabilities from fiscal year 2006 were also not significant.

Table 2 reflects the changes in net assets for fiscal year 2007 and fiscal year 2006.

Table 2
Change in Net Assets

	Governmental Activities		
	2007	2006	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$459,979	\$496,829	(\$36,850)
Operating Grants, Contributions, and Interest	588,851	644,928	(56,077)
Capital Grants and Contributions	12,738	3,216	9,522
Total Program Revenues	1,061,568	1,144,973	(83,405)
General Revenues			
Property Taxes Levied for General Purposes	1,537,486	1,594,919	(57,433)
Property Taxes Levied for Permanent Improvements	79,021	85,166	(6,145)
Income Taxes Levied for General Purposes	1,334,601	1,225,640	108,961
Payment in Lieu of Taxes	116,102	81,025	35,077
Grants and Entitlements	2,898,163	2,774,121	124,042
Interest	62,088	35,284	26,804
Gifts and Donations	18,752	14,713	4,039
Miscellaneous	25,094	30,794	(5,700)
Total General Revenues	6,071,307	5,841,662	229,645
Total Revenues	7,132,875	6,986,635	146,240

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

	Governmental Activities		
	2007	2006	Change
<u>Expenses</u>			
Instruction:			
Regular	\$3,115,221	\$2,929,041	(\$186,180)
Special	674,854	468,043	(206,811)
Vocational	201,214	168,923	(32,291)
Other		62,140	62,140
Support Services:			
Pupils	195,264	204,029	8,765
Instructional Staff	351,455	360,496	9,041
Board of Education	63,595	44,090	(19,505)
Administration	734,500	697,874	(36,626)
Fiscal	187,834	205,057	17,223
Operation and Maintenance of Plant	675,903	615,426	(60,477)
Pupil Transportation	356,089	334,810	(21,279)
Central	8,010	14,590	6,580
Non-Instructional Services	272,458	226,091	(46,367)
Intergovernmental		173,352	173,352
Extracurricular Activities	323,026	290,570	(32,456)
Interest and Fiscal Charges	4,460	6,018	1,558
Total Expenses	<u>7,163,883</u>	<u>6,800,550</u>	<u>(363,333)</u>
Increase (Decrease) in Net Assets	(31,008)	186,085	(217,093)
Net Assets at Beginning of Year	<u>2,837,824</u>	<u>2,651,739</u>	<u>186,085</u>
Net Assets at End of Year	<u>\$2,806,816</u>	<u>\$2,837,824</u>	<u>(\$31,008)</u>

Program revenues only represent 15 percent of total revenues and primarily consist of tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues. Note there was a 7 percent decrease in program revenues from fiscal year 2006.

General revenues are made up almost entirely of property taxes, income taxes, and unrestricted state entitlements. General revenues remained fairly consistent with the prior fiscal year.

Program expenses increased 16 percent from the prior fiscal year. A review of the above table demonstrates moderate increases in almost all programs. A portion of these increases can be attributed to salary increases for employees. As is to be expected, the major program expenses for governmental activities are for instruction, which account for 56 percent of all governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation accounted for 13 percent of governmental expenses. Maintenance of the District's facilities also represents a significant expense, 9 percent. Therefore, 78 percent of the District's expenses are directly related to the primary functions of providing facilities and delivering education.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

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, 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

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction:				
Regular	\$3,115,221	\$2,929,041	\$2,877,208	\$2,647,004
Special	674,854	468,043	295,367	46,550
Vocational	201,214	168,923	170,473	132,802
Other		62,140		62,140
Support Services:				
Pupils	195,264	208,029	190,264	199,029
Instructional Staff	351,455	360,496	351,455	360,496
Board of Education	63,595	44,090	63,595	44,090
Administration	734,500	697,874	734,500	697,874
Fiscal	187,834	205,057	187,834	205,057
Operation and Maintenance of Plant	675,903	615,426	675,903	615,426
Pupil Transportation	356,089	334,810	347,913	322,365
Central	8,010	14,590	(1,382)	4,327
Non-Instructional Services	272,458	226,091	25,634	(24,316)
Intergovernmental		173,352		173,352
Extracurricular Activities	323,026	290,570	179,091	163,363
Interest and Fiscal Charges	4,460	6,018	4,460	6,018
Total Expenses	<u>\$7,163,883</u>	<u>\$6,800,550</u>	<u>\$6,102,315</u>	<u>\$5,655,577</u>

With the substantial contribution of general revenues for funding the District's activities, only a limited number of activities receive much support from program revenues. Approximately 56 percent of special instruction costs are provided for through operating grants for special instruction programs. Almost 91 percent of non-instructional services costs were provided for through program revenues. This consists of cafeteria sales, and state and federal subsidies and donated commodities for food service operations, as well as for operating grants received on behalf of the parochial school located within the District. A good portion, almost 55 percent, of extracurricular activities costs are covered by program revenues. These consist of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. For the General Fund, revenues exceeded expenditures for fiscal year 2007, which provided for an increase in fund balance of almost 9 percent.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

General Fund Budgeting Highlights

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

During fiscal year 2007, the District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget and from the final budget to actual revenues received were not significant. For expenditures, there was no change from the original budget to the final budget. Changes from the final budget to actual expenditures were also not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the District had \$2,536,801 invested in capital assets (net of accumulated depreciation), a decrease of \$100,213, or almost 4 percent. The decrease is the result of depreciation expense exceeding capital asset additions. For further information regarding the District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2007, the District had outstanding tax anticipation notes, in the amount of \$62,267. In addition, long-term obligations consisted of a tractor loan and compensated absences, in the amount of \$12,964 and \$481,018, respectively. For further information regarding the District's long-term obligations, refer to Note 17 to the basic financial statements.

Current Issues

The Cory-Rawson Local School District is a rural, agricultural community with very little industry; it is also the focal point of the community providing weekend sporting events and musical productions. A high percentage of people live and work here long-term and the community supports the District throughout its many endeavors. A high percentage of the students participate in athletics, musicals, and other programs.

The District developed a strategic plan in 2001 which included input from community members, students, staff, and administration. Some of these goals have been implemented while others are yet to be put into place.

The District is in the third year of a three-year negotiated agreement with the teachers' union. Base salary increases of zero percent, 2.7 percent, and 2.1 percent were given for the 2005/2006, 2006/2007, and 2007/2008 school years, respectively. Also, concessions were made to the health care package as significant increases in medical premiums are a concern; the Board of Education will continue to observe and work to address this issue.

The District also has a negotiated agreement with the classified staff. It went into effect on October 2, 2007, and has duration of two years. Base salary increases of 2.1 percent and 2 percent were given the 2007/2008 and 2008/2009 school years, respectively. Also, several steps were added to each classified salary schedule.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

The five-year forecast indicates that the District will begin deficit spending in fiscal year 2009; the Board of Education's finance committee, the superintendent, and the treasurer meet on a quarterly basis to review this document and discuss options.

The District is currently hosting public meetings in regard to the Ohio School Facilities Commission offer in fiscal year 2008 for a PreK-4 addition to the middle/high school building. This issue was placed before the voters in May 2007 and was rejected. The Board of Education is still discussing how to proceed with this issue.

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, 2007**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,036,445
Accounts Receivable	1,624
Accrued Interest Receivable	3,747
Intergovernmental Receivable	14,536
Prepaid Items	9,261
Inventory Held for Resale	1,299
Materials and Supplies Inventory	944
Income Taxes Receivable	575,737
Property Taxes Receivable	1,779,577
Nondepreciable Capital Assets	42,390
Depreciable Capital Assets, Net	2,494,411
Total Assets	5,959,971
 <u>Liabilities:</u>	
Accounts Payable	25,023
Accrued Wages and Benefits Payable	690,780
Intergovernmental Payable	164,367
Matured Compensated Absences Payable	50,778
Notes Payable	62,267
Deferred Revenue	1,665,958
Long-Term Liabilities:	
Due Within One Year	14,829
Due in More Than One Year	479,153
Total Liabilities	3,153,155
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	2,461,570
Restricted For:	
Debt Service	5,278
Capital Projects	28,624
Other Purposes	79,145
Unrestricted	232,199
Total Net Assets	\$2,806,816

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, 2007**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$3,115,221	\$172,943	\$58,158	\$6,912	(\$2,877,208)
Special	674,854	14,976	364,511		(295,367)
Vocational	201,214		30,741		(170,473)
Support Services:					
Pupils	195,264		5,000		(190,264)
Instructional Staff	351,455				(351,455)
Board of Education	63,595				(63,595)
Administration	734,500				(734,500)
Fiscal	187,834				(187,834)
Operation and Maintenance of Plant	675,903				(675,903)
Pupil Transportation	356,089		2,350	5,826	(347,913)
Central	8,010		9,392		1,382
Non-Instructional Services	272,458	153,659	93,165		(25,634)
Extracurricular Activities	323,026	118,401	25,534		(179,091)
Interest and Fiscal Charges	4,460				(4,460)
Total Governmental Activities	<u>\$7,163,883</u>	<u>\$459,979</u>	<u>\$588,851</u>	<u>\$12,738</u>	<u>(6,102,315)</u>
<u>General Revenues:</u>					
Property Taxes Levied for General Purposes					1,537,486
Property Taxes Levied for Permanent Improvements					79,021
Income Taxes					1,334,601
Payment in Lieu of Taxes					116,102
Grants and Entitlements not Restricted to Specific Programs					2,898,163
Interest					62,088
Gifts and Donations					18,752
Miscellaneous					25,094
Total General Revenues					<u>6,071,307</u>
Change in Net Assets					(31,008)
Net Assets at Beginning of Year					<u>2,837,824</u>
Net Assets at End of Year					<u>\$2,806,816</u>

See Accompanying Notes to the Basic Financial Statements

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

**Balance Sheet
Governmental Funds
June 30, 2007**

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$927,421	\$93,416	\$1,020,837
Accounts Receivable	1,190	434	1,624
Accrued Interest Receivable	3,747		3,747
Intergovernmental Receivable	2,931	11,605	14,536
Interfund Receivable		4,601	4,601
Prepaid Items	9,121	140	9,261
Inventory Held for Resale		1,299	1,299
Materials and Supplies Inventory		944	944
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	15,608		15,608
Income Taxes Receivable	575,737		575,737
Property Taxes Receivable	1,676,661	102,916	1,779,577
Total Assets	\$3,212,416	\$215,355	\$3,427,771
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$21,421	\$3,602	\$25,023
Accrued Wages and Benefits Payable	656,024	34,756	690,780
Intergovernmental Payable	152,609	11,758	164,367
Interfund Payable	4,601		4,601
Matured Compensated Absences Payable	50,778		50,778
Notes Payable		62,267	62,267
Deferred Revenue	1,711,014	98,916	1,809,930
Total Liabilities	2,596,447	211,299	2,807,746
<u>Fund Balances:</u>			
Reserved for Property Taxes	75,000	4,000	79,000
Reserved for Bus Purchase	15,608		15,608
Reserved for Encumbrances	7,592	18,879	26,471
<u>Unreserved, Reported in:</u>			
General Fund	517,769		517,769
Special Revenue Funds		17,123	17,123
Debt Service Fund		5,278	5,278
Capital Projects Fund (Deficit)		(41,224)	(41,224)
Total Fund Balances	615,969	4,056	620,025
Total Liabilities and Fund Balances	\$3,212,416	\$215,355	\$3,427,771

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, 2007**

Total Governmental Fund Balances		\$620,025
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, are not reported in the funds.		
		2,536,801
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	\$948	
Income Taxes Receivable	108,405	
Property Taxes Receivable	34,619	
		143,972
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Loan Payable	(12,964)	
Compensated Absences Payable	(481,018)	
		(493,982)
Net Assets of Governmental Activities		<u>\$2,806,816</u>

See Accompanying Notes to the 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, 2007**

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$1,555,216	\$79,930	\$1,635,146
Income Taxes	1,318,528		1,318,528
Payment in Lieu of Taxes	116,102		116,102
Intergovernmental	3,113,779	372,409	3,486,188
Interest	61,311	781	62,092
Tuition and Fees	186,971		186,971
Extracurricular Activities		116,051	116,051
Charges for Services		153,659	153,659
Gifts and Donations	9,378	39,376	48,754
Miscellaneous	4,397	20,697	25,094
Total Revenues	<u>6,365,682</u>	<u>782,903</u>	<u>7,148,585</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,977,833	68,121	3,045,954
Special	498,446	178,618	677,064
Vocational	190,010	1,576	191,586
Support Services:			
Pupils	193,123		193,123
Instructional Staff	348,174	6,490	354,664
Board of Education	55,595	8,000	63,595
Administration	655,126	34,839	689,965
Fiscal	190,082	1,428	191,510
Operation and Maintenance of Plant	608,675	42,828	651,503
Pupil Transportation	375,076		375,076
Central	2,310	6,750	9,060
Non-Instructional Services		261,596	261,596
Extracurricular Activities	156,057	150,705	306,762
Capital Outlay		6,828	6,828
Debt Service:			
Principal Retirement	3,497		3,497
Interest and Fiscal Charges	725	3,735	4,460
Total Expenditures	<u>6,254,729</u>	<u>771,514</u>	<u>7,026,243</u>
Excess of Revenues Over Expenditures	<u>110,953</u>	<u>11,389</u>	<u>122,342</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In		62,566	62,566
Transfers Out	(62,566)		(62,566)
Total Other Financing Sources (Uses)	<u>(62,566)</u>	<u>62,566</u>	
Changes in Fund Balances	48,387	73,955	122,342
Fund Balances (Deficit) at Beginning of Year	567,582	(69,899)	497,683
Fund Balances at End of Year	<u>\$615,969</u>	<u>\$4,056</u>	<u>\$620,025</u>

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, 2007**

Changes in Fund Balances - Total Governmental Funds \$122,342

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays 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 depreciation exceeded capital outlays in the current fiscal year:

Capital Outlays	\$111,557	
Depreciation	(199,750)	
	(88,193)	(88,193)

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (12,020)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	(18,639)	
Income Taxes	16,073	
Intergovernmental	(14,092)	
Tuition and Fees	948	
	(15,710)	(15,710)

Repayment of principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 3,497

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (40,924)

Change in Net Assets of Governmental Activities (\$31,008)

See Accompanying Notes to the 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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$1,490,642	\$1,460,642	\$1,592,169	\$131,527
Income Taxes	1,249,989	1,197,989	1,262,867	64,878
Payment in Lieu of Taxes	50,000	50,000	116,102	66,102
Intergovernmental	2,664,257	2,754,589	3,115,449	360,860
Interest	30,000	30,000	63,401	33,401
Tuition and Fees	179,708	305,525	187,005	(118,520)
Gifts and Donations	6,500	6,500	9,378	2,878
Miscellaneous	3,800	3,800	4,283	483
Total Revenues	5,674,896	5,809,045	6,350,654	541,609
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,837,199	2,787,199	2,908,760	(121,561)
Special	472,635	472,635	471,531	1,104
Vocational	169,532	169,532	187,891	(18,359)
Support Services:				
Pupils	201,642	201,642	192,333	9,309
Instructional Staff	346,037	346,037	345,802	235
Board of Education	33,292	33,292	54,384	(21,092)
Administration	636,648	636,648	659,930	(23,282)
Fiscal	183,004	183,004	186,935	(3,931)
Operation and Maintenance of Plant	563,520	613,520	606,612	6,908
Pupil Transportation	367,372	367,372	370,948	(3,576)
Central	2,600	2,600	2,345	255
Extracurricular Activities	165,899	165,899	153,157	12,742
Total Expenditures	5,979,380	5,979,380	6,140,628	(161,248)
Excess of Revenues Over (Under) Expenditures	(304,484)	(170,335)	210,026	380,361
<u>Other Financing Sources (Uses):</u>				
Advances In			92,410	92,410
Advances Out		(88,716)	(76,929)	11,787
Transfers Out	(3,500)	(3,500)	(26,525)	(23,025)
Total Other Financing Sources (Uses)	(3,500)	(92,216)	(11,044)	81,172
Changes in Fund Balance	(307,984)	(262,551)	198,982	461,533
Fund Balance at Beginning of Year	712,236	712,236	712,236	
Prior Year Encumbrances Appropriated	8,348	8,348	8,348	
Fund Balance at End of Year	\$412,600	\$458,033	\$919,566	\$461,533

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007**

	Private Purpose Trust	Agency
	<hr/>	<hr/>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$8,846	<u><u>\$21,244</u></u>
<u>Liabilities:</u>		
Due to Students	<hr/>	<u><u>\$21,244</u></u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	<u><u>\$8,846</u></u>	

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2007**

<u>Deductions:</u>	
Scholarships	<u>\$500</u>
Change in Net Assets	(500)
Net Assets at Beginning of Year	<u>9,346</u>
Net Assets at End of Year	<u><u>\$8,846</u></u>

See Accompanying Notes to the Basic Financial Statements

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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 Districts. The District serves an area of approximately one hundred five square miles. It is located in Hancock County. The District is the 564th largest in the State of Ohio (among 612 Districts) in terms of enrollment. It is staffed by thirty-five classified employees, forty-nine certified teaching personnel, and five administrative employees who provide services to 676 students and other community members. The District currently operates two instructional buildings.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure 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 Cory-Rawson Local School 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. The activity is reflected in a special revenue fund of the District.

The District participates in six jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Millstream Cooperative Vocational Career Center, the Hancock County Local Professional Development Committee, the Northwestern Ohio Educational Research Council, Inc., the West Central Regional Professional Development Center, the Northwest Ohio Special Education Regional Resource Center, the Hancock County Schools Insurance Consortium Group Health Plan, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan,. These organizations are presented in Notes 20 and 21 to the basic financial statements.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Cory-Rawson Local School 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 financial 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. These statements usually distinguish between those activities of the District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest 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 each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the fiscal 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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental and fiduciary.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District's only major fund is the General 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 balance 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 and other resources whose use is 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 not available to support the District's own programs. The District's private purpose trust fund accounts for college scholarships for students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for various student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of 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.

Fund Financial Statements

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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The private purpose trust fund is accounted for using a flow of 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. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. 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 fiscal 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 the 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 both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Expenses/Expenditures

On the accrual basis, 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative 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 resolution of the Board of Education. Budgetary allocations at the function and object level are made by the District Treasurer.

The certificate of estimated resources may be amended during the fiscal 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 appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations 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. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2007, investments consisted of 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, 2007.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 2007 was \$61,311, which includes \$4,561 assigned from other District funds.

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for unexpended revenues restricted for the purchase of school buses.

J. Capital Assets

All of the District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The District maintains a capitalization threshold of one thousand dollars. 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.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

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

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

L. 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 absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

M. Accrued Liabilities and Long-Term Obligations

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

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

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

N. 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 balance of any borrowing 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 resources restricted for food service operations, music and athletic programs, and federal and state grants. As of June 30, 2007, there were no net assets restricted by enabling legislation.

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.

O. Fund Balance Reserves

The District reserves those portions of fund balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, bus purchase, 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.

P. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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.

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.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2007, the Food Service and Title II-A special revenue funds and the Permanent Improvement capital projects fund had deficit fund balances, in the amount of \$17,192, \$12,166, and \$35,485, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

For the fiscal year ended June 30, 2007, the General Fund, the Food Service, ONEnet, and Ohio Reads special revenue funds, and the SchoolNet capital projects fund had expenditures in excess of appropriations, in the amount of \$161,248, \$20,152, \$1,000, \$1,612, and \$6,828, respectively.

The Treasurer will monitor that appropriations remain within estimated resources and that expenditures do not exceed amounts appropriated to eliminate future budgetary violations.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances 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 for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

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
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING – (CONTINUED)

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$48,387
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2006, Received in Cash FY 2007	533,845
Accrued FY 2007, Not Yet Received in Cash	(544,651)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(793,597)
Accrued FY 2007, Not Yet Paid in Cash	880,832
Prepaid Items	46,107
Advances In	92,410
Advances Out	(76,929)
Transfers Out	36,041
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(23,463)
Budget Basis	\$198,982

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

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

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Interim monies held by the District may 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;
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;
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);
7. The State Treasurer's investment pool (STAR Ohio);
8. Bankers' acceptances and commercial paper if training 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, \$886,307 of the District's bank balance of \$987,262 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District has no deposit policy for custodial credit 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 105 percent of the deposits being secured.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Investments

As of June 30, 2007, the fair value of funds on deposit with STAR Ohio was \$205,014. The District's investment in STAR Ohio had an average maturity of 38.56 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The District has no policy regarding 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.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2007, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, interfund, income taxes, and property taxes. 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. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
E-Rate	\$2,931
Other Governmental Funds	
Food Service	11,605
Total Intergovernmental Receivables	<u><u>\$14,536</u></u>

NOTE 7 - INCOME TAXES

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax 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, for a five-year period. 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.

NOTE 8 - 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.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 8 - PROPERTY TAXES – (CONTINUED)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$75,000 in the General Fund and \$4,000 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2006, was \$116,175 in the General Fund and \$5,825 in the Permanent Improvement capital projects fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 8 - PROPERTY TAXES – (CONTINUED)

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$59,757,300	78.81%	\$60,213,590	82.51%
Industrial/Commercial	6,129,590	8.08	6,316,700	8.66
Public Utility	3,713,800	4.90	3,629,630	4.97
Tangible Personal	6,225,201	8.21	2,814,068	3.86
Total Assessed Value	\$75,825,891	100.00%	\$72,973,988	100.00%
Tax rate per \$1,000 of assessed valuation	\$34.50		\$34.50	

NOTE 9 - PAYMENT IN LIEU OF TAXES

According to State law, the District has entered into agreements with a number of property owners under which the District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owner's contractual promise to make these payments in lieu of taxes generally continue until the agreement expires.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$42,390			\$42,390
Depreciable Capital Assets				
Land Improvements	63,354			63,354
Buildings and Building Improvements	3,341,218		(\$1,000)	3,340,218
Furniture, Fixtures, and Equipment	1,505,524	\$44,157	(1,495)	1,548,186
Vehicles	715,800	67,400	(119,360)	663,840
Total Depreciable Capital Assets	5,625,896	111,557	(121,855)	5,615,598
Less Accumulated Depreciation				
Land Improvements	(\$26,954)	(\$1,749)		(\$28,703)
Buildings and Building Improvements	(1,670,875)	(54,079)	\$1,000	(1,723,954)
Furniture, Fixtures, and Equipment	(931,159)	(99,797)	1,059	(1,029,897)
Vehicles	(402,284)	(44,125)	107,776	(338,633)
Total Accumulated Depreciation	(3,031,272)	(199,750)	109,835	(3,121,187)
Depreciable Capital Assets, Net	2,594,624	(88,193)	(12,020)	2,494,411
Governmental Activities Capital Assets, Net	\$2,637,014	(\$88,193)	(\$12,020)	\$2,536,801

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$82,317
Special	6,915
Vocational	4,831
Support Services:	
Pupils	1,785
Instructional Staff	3,469
Administration	5,006
Fiscal	2,054
Operation and Maintenance of Plant	25,420
Pupil Transportation	43,556
Non-Instructional Services	5,143
Extracurricular Activities	19,254
Total Depreciation Expense	\$199,750

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 11 - INTERFUND ASSETS/LIABILITIES

At June 30, 2007, the General Fund had an interfund payable and other governmental funds had an interfund receivable, in the amount of \$4,601, for a short-term loan.

NOTE 12 - 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 2007, the District contracted for the following insurance coverage.

Coverage provided by Indiana National Insurance Company is as follows:

General Liability	
Per Occurrence	\$1,000,000
Total per Year	2,000,000
Automobile Liability	1,000,000
Building and Contents	17,795,296
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 (the Plan), a public entity shared risk pool consisting of seven local 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.

The 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 District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews 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.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 13 - 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 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 the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent 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 CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. 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 balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of 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 DCP 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, 2007, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005, was \$355,246, \$364,273, and \$352,274, respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$18 made by the District and \$3,949 made by plan members.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 13 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 percent was the portion used 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 required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$88,276, \$85,778, and \$82,972, respectively; 44 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

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, 2007, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participate in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount was \$27,328.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 eligible benefit recipients.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the District, the amount to fund health care benefits, including the surcharge, was \$43,972 for fiscal year 2007.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006, (the latest information available) were \$158,751,207. The target level for the health care fund is 150 percent 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 \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will not be sufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claims costs. SERS has approximately 59,492 participants currently receiving health care benefits.

NOTE 15 - 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 ten to twenty days of vacation per fiscal year, depending upon length of service. Up to five days of unused vacation may be carried forward to the succeeding fiscal year. Unused vacation in excess of five days cannot be carried forward to the succeeding fiscal year. 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. Upon retirement, payment is made for one-third of accrued but unused sick leave credit to a maximum of fifty 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.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 16 - NOTES PAYABLE

On June 28, 2004, the District issued tax anticipation notes, in the amount of \$175,000, for a new roof on the middle school/high school building. 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, 2007, was \$62,267.

Principal and interest requirements to retire the notes outstanding at June 30, 2007, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$41,046	\$1,951	\$42,997
2009	21,221	278	21,499
Total	<u>\$62,267</u>	<u>\$2,229</u>	<u>\$64,496</u>

NOTE 17 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2007 were as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07	Amounts Due Within One Year
Governmental Activities					
Long-Term Obligations					
Tractor Loan Payable	\$16,461		\$3,497	\$12,964	\$3,670
Compensated Absences Payable	440,094	\$74,483	33,559	481,018	11,159
Total Governmental Activities					
Long-Term Obligations	<u>\$456,555</u>	<u>\$74,483</u>	<u>\$37,056</u>	<u>\$493,982</u>	<u>\$14,829</u>

Tractor Loan - On October 28, 2005, the District obtained a loan, in the amount of \$18,700, to purchase 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 General Fund and the Food Service special revenue fund.

The District's overall debt margin was \$5,920,763 with an unvoted debt margin of \$66,622 at June 30, 2007.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS – (CONTINUED)

Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2007, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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>\$12,964</u>	<u>\$1,109</u>	<u>\$14,073</u>

NOTE 18 - SET ASIDES

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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Balance at June 30, 2006	(\$30,492)	\$213
Current Year Set Aside Requirement	104,221	104,221
Current Year Offsets		(89,664)
Qualifying Expenditures	(136,234)	(14,770)
Balance at June 30, 2007	<u>(\$62,505)</u>	<u></u>

The District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

NOTE 19 - INTERFUND TRANSFERS

During fiscal year 2007, the General Fund transferred \$62,566 to other governmental funds to subsidize activities in other funds.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 20 - 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 educational entities 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 educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2007, the District paid \$11,533 to NOACSC for various services. Financial information can be obtained from the Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Cooperative Vocational Career Center

The Millstream Cooperative Vocational Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of an advisory council consisting of the superintendent of each participating 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, 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, 7746 County Road 140, Findlay, Ohio 45840.

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 districts, five local districts, and five city districts, as well as representatives 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.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

E. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (RPDC) is a jointly governed organization among the districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The RPDC was formed to establish an articulated regional structure for professional development in which 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 districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained from the 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 provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained from the Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

NOTE 21 - INSURANCE POOLS

A. Hancock County Schools Insurance Consortium Group Health Plan

The Hancock County Schools Insurance Consortium Group Health Plan (the 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 participants. The Administrative Committee of the Plan consists of the superintendent from each participating member. The Administrative Committee advises the trustee, Sky Bank, concerning aspects of the administration of the Plan.

Each member 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, Ohio 43537.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

NOTE 21 - INSURANCE POOLS – (CONTINUED)

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

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The 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 the 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.

NOTE 22 - 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, 2007.

B. Litigation

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



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, 2007, 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

We noted certain matters that we reported to the District's management in a separate letter dated April 16, 2008.

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*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated April 16, 2008.

We intend this report solely for the information and use of the audit and finance committees, management, and Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 16, 2008



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**