



Dave Yost • Auditor of State

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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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, each 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, 2010, 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, each major fund, and the aggregate remaining fund information of Cory-Rawson Local School District, Hancock County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof and the budgetary comparison of 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 March 10, 2011, 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 10, 2011

Cory-Rawson Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The discussion and analysis of Cory-Rawson Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2010 are as follows:

In total, net assets increased \$6,652,929, or 300 percent. This was primarily due to resources received through the Ohio School Facilities Commission for construction purposes.

General revenues were 91 percent of total revenues and continue to reflect the School 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 School District, presenting both an aggregate view of the School 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 School 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 and the Classroom Facilities capital projects fund are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2010. 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 School 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 School 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 School 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 School District's activities are presented as governmental activities, which include instruction, support services, non-instructional services, and extracurricular activities.

Cory-Rawson Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and the Classroom Facilities capital projects fund.

Governmental Funds - All of the School 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 School 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 School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2010 and fiscal year 2009:

Table 1
Net Assets

	Governmental Activities		
	2010	2009	Change
<u>Assets:</u>			
Current and Other Assets	\$16,088,272	\$2,490,105	\$13,598,167
Capital Assets, Net	2,544,812	2,476,666	68,146
Total Assets	18,633,084	4,966,771	13,666,313

(continued)

Cory-Rawson Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 1
Net Assets
(continued)

	Governmental Activities		
	2010	2009	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$2,853,316	\$2,277,096	(\$576,220)
Long-Term Liabilities	6,969,451	532,287	(6,437,164)
Total Liabilities	9,822,767	2,809,383	(7,013,384)
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	2,671,809	2,471,226	200,583
Restricted	6,864,755	98,000	6,766,755
Unrestricted (Deficit)	(726,247)	(411,838)	(314,409)
Total Net Assets	\$8,810,317	\$2,157,388	\$6,652,929

A review of the above reveals several significant changes from the prior fiscal year. The increase in current and other assets is the result of several factors, an increase in cash and cash equivalents due to the issuance of almost \$6.3 in general obligation bonds to be used for construction (no proceeds had been spent as of fiscal year end), a \$6.5 million receivable from the Ohio School Facilities Commission for the State's commitment toward the construction, and an increase in property taxes receivable (based on a 5 mill construction levy and .5 mill maintenance levy approved during fiscal year 2010). This increase in cash and cash equivalents is offset by the increase in the long-term liability for the bonds, the increase related to the Ohio School Facilities Commission is also reflected in the increase in restricted net assets, and the increase in the receivable for property taxes is also noted in the increase in current and other liabilities for the deferred portion of the receivable.

Table 2 reflects the changes in net assets for fiscal year 2010 and fiscal year 2009.

Table 2
Change in Net Assets

	Governmental Activities		
	2010	2009	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$536,990	\$524,658	\$12,332
Operating Grants, Contributions, and Interest	804,914	611,730	193,184
Capital Grants and Contributions		7,198	(7,198)
Total Program Revenues	1,341,904	1,143,586	198,318

(continued)

Cory-Rawson Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities		
	2010	2009	Change
<u>Revenues</u> (continued)			
General Revenues			
Property Taxes Levied for General Purposes	\$1,433,678	\$1,542,163	(\$108,485)
Property Taxes Levied for Classroom Facilities Maintenance	23,949		23,949
Property Taxes Levied for Debt Service	228,742		228,742
Property Taxes Levied for Permanent Improvements	74,802	79,926	(5,124)
Income Taxes Levied for General Purposes	1,374,312	1,326,771	47,541
Grants and Entitlements	9,913,093	2,805,326	7,107,767
Interest	12,590	11,093	1,497
Gifts and Donations	31,501	23,454	8,047
Miscellaneous	37,350	23,515	13,835
Total General Revenues	<u>13,130,017</u>	<u>5,812,248</u>	<u>7,317,769</u>
Total Revenues	<u>14,471,921</u>	<u>6,955,834</u>	<u>7,516,087</u>
<u>Expenses</u>			
Instruction:			
Regular	3,273,580	3,225,171	(48,409)
Special	632,894	643,919	11,025
Vocational	350,511	333,037	(17,474)
Support Services:			
Pupils	193,758	299,093	105,335
Instructional Staff	430,645	447,766	17,121
Board of Education	38,101	44,162	6,061
Administration	904,742	813,535	(91,207)
Fiscal	235,021	193,404	(41,617)
Operation and Maintenance of Plant	679,508	716,208	36,700
Pupil Transportation	335,721	372,953	37,232
Central	12,534	11,246	(1,288)
Non-Instructional Services	315,760	294,957	(20,803)
Extracurricular Activities	298,328	300,391	2,063
Interest and Fiscal Charges	117,889	613	(117,276)
Total Expenses	<u>7,818,992</u>	<u>7,696,455</u>	<u>(122,537)</u>
Increase (Decrease) in Net Assets	6,652,929	(740,621)	7,393,550
Net Assets at Beginning of Year	<u>2,157,388</u>	<u>2,898,009</u>	<u>(740,621)</u>
Net Assets at End of Year	<u>\$8,810,317</u>	<u>\$2,157,388</u>	<u>\$6,652,929</u>

Program revenues represent 9 percent of total revenues and primarily consist of tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues. There was a substantial increase in program revenues for fiscal year 2010 (17 percent) and due, in large part, to additional grant resources received through the American Recovery and Reinvestment Act (ARRA). General revenues are made up almost entirely of property taxes, income taxes, and unrestricted state entitlements. Note the significant increase in general revenues resulting from resources received from the Ohio School Facilities Commission for school construction.

Cory-Rawson Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Program expenses increased a modest 2 percent from the prior fiscal year. As is to be expected, the major program expenses for governmental activities are for instruction, which account for 54 percent of all governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation accounted for 12 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, almost 9 percent.

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	
	2010	2009	2010	2009
Instruction:				
Regular	\$3,273,580	\$3,225,171	\$2,914,016	\$2,914,264
Special	632,894	643,919	96,498	240,259
Vocational	350,511	333,037	298,599	281,511
Support Services:				
Pupils	193,758	299,093	188,758	294,093
Instructional Staff	430,645	447,766	430,645	447,766
Board of Education	38,101	44,162	38,101	44,162
Administration	904,742	813,535	904,742	813,535
Fiscal	235,021	193,404	235,021	193,404
Operation and Maintenance of Plant	679,508	716,208	679,508	716,208
Pupil Transportation	335,721	372,953	325,706	363,600
Central	12,534	11,246	5,675	2,246
Non-Instructional Services	315,760	294,957	62,256	54,428
Extracurricular Activities	298,328	300,391	179,674	186,780
Interest and Fiscal Charges	117,889	613	117,889	613
Total Expenses	<u>\$7,818,992</u>	<u>\$7,696,455</u>	<u>\$6,477,088</u>	<u>\$6,552,869</u>

With the substantial contribution of general revenues for funding the School District's activities, only a limited number of activities receive much support from program revenues. For special instruction costs, 85 percent was provided for through operating grants for special instruction programs (including additional ARRA resources in fiscal year 2010). The non-instructional services costs received 80 percent of its funding 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 School District. Almost 40 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 School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. For the General Fund, revenues were 3 percent less than the prior fiscal year; however, expenditures also decreased by 5.6 percent. The decrease in fund balance of over \$242,000 is the result of expenditures exceeding revenues for the fiscal year and due to cash carryover spending. The Classroom Facilities Fund was a new fund in fiscal year 2010 created to record the School District's building construction activities.

General Fund Budgeting Highlights

The School 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 2010, the School 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. The same can be said for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$2,544,812 invested in capital assets (net of accumulated depreciation). During fiscal year 2010, the School District began building construction related activities. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

Debt

At June 30, 2010, long-term obligations consisted of a tractor loan, in the amount of \$1,393 which will be paid off in fiscal year 2011, and general obligation bonds issued for building construction, in the amount of \$6,416,962. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 19 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 School District throughout its many endeavors. A high percentage of the students participate in athletics, musicals, and other programs.

The School 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 School District is in the third year of a three-year negotiated agreement with the teachers' union. Base salary increases of 3 percent were given for all three years of the contract (2008/2009, 2009/2010, and 2010/2011). However, for the 2010/2011 school year, the teachers have agreed to a wage and step freeze instead of taking the 3 percent increase. This agreement was reached in order to avert staff reductions.

Cory-Rawson Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The School District's classified staff will receive a 2 percent increase in their base salaries for the 2011/2012 school year.

The five-year forecast indicates that the School District began deficit spending in fiscal year 2008; the Board of Education's finance committee, the superintendent, and the treasurer meet on a quarterly basis to review this document and discuss options.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School 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
Statement of Net Assets
June 30, 2010

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,786,151
Accounts Receivable	10,461
Accrued Interest Receivable	703
Intergovernmental Receivable	6,589,225
Prepaid Items	1,890
Inventory Held for Resale	903
Materials and Supplies Inventory	1,264
Income Taxes Receivable	587,862
Property Taxes Receivable	1,981,423
Unamortized Issuance Costs	128,390
Nondepreciable Capital Assets	250,512
Depreciable Capital Assets, Net	2,294,300
Total Assets	18,633,084
 <u>Liabilities:</u>	
Accounts Payable	42,848
Accrued Wages and Benefits Payable	675,779
Intergovernmental Payable	267,023
Accrued Interest Payable	75,121
Matured Compensated Absences Payable	8,738
Deferred Revenue	1,783,807
Long-Term Liabilities:	
Due Within One Year	119,162
Due in More Than One Year	6,850,289
Total Liabilities	9,822,767
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	2,671,809
Restricted For:	
Debt Service	44,879
Capital Projects	6,664,452
Other Purposes	155,424
Unrestricted (Deficit)	(726,247)
Total Net Assets	\$8,810,317

See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$3,273,580	\$297,666	\$61,898	(\$2,914,016)
Special	632,894		536,396	(96,498)
Vocational	350,511		51,912	(298,599)
Support Services:				
Pupils	193,758		5,000	(188,758)
Instructional Staff	430,645			(430,645)
Board of Education	38,101			(38,101)
Administration	904,742			(904,742)
Fiscal	235,021			(235,021)
Operation and Maintenance of Plant	679,508			(679,508)
Pupil Transportation	335,721		10,015	(325,706)
Central	12,534		6,859	(5,675)
Non-Instructional Services	315,760	129,771	123,733	(62,256)
Extracurricular Activities	298,328	109,553	9,101	(179,674)
Interest and Fiscal Charges	117,889			(117,889)
Total Governmental Activities	<u>\$7,818,992</u>	<u>\$536,990</u>	<u>\$804,914</u>	<u>(6,477,088)</u>

General Revenues:

Property Taxes Levied for General Purposes	1,433,678
Property Taxes Levied for Classroom Facilities Maintenance	23,949
Property Taxes Levied for Debt Service	228,742
Property Taxes Levied for Permanent Improvements	74,802
Income Taxes Levied for General Purposes	1,374,312
Grants and Entitlements not Restricted to Specific Programs	9,913,093
Interest	12,590
Gifts and Donations	31,501
Miscellaneous	37,350
Total General Revenues	<u>13,130,017</u>
Change in Net Assets	6,652,929
Net Assets at Beginning of Year - Restated (Note 3)	<u>2,157,388</u>
Net Assets at End of Year	<u>\$8,810,317</u>

See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Classroom Facilities	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$45,777	\$6,389,648	\$345,356	\$6,780,781
Accounts Receivable	3,680		6,781	10,461
Accrued Interest Receivable	703			703
Intergovernmental Receivable	13,627	6,512,018	63,580	6,589,225
Interfund Receivable	1,573			1,573
Prepaid Items	1,890			1,890
Inventory Held for Resale			903	903
Materials and Supplies Inventory			1,264	1,264
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	5,370			5,370
Income Taxes Receivable	587,862			587,862
Property Taxes Receivable	1,506,619		474,804	1,981,423
Total Assets	<u>\$2,167,101</u>	<u>\$12,901,666</u>	<u>\$892,688</u>	<u>\$15,961,455</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$31,589		\$11,259	\$42,848
Accrued Wages and Benefits Payable	655,252		20,527	675,779
Intergovernmental Payable	254,714		12,309	267,023
Interfund Payable			1,573	1,573
Matured Compensated Absences Payable	8,738			8,738
Deferred Revenue	1,468,325	\$6,512,018	436,804	8,417,147
Total Liabilities	<u>2,418,618</u>	<u>6,512,018</u>	<u>482,472</u>	<u>9,413,108</u>
<u>Fund Balances:</u>				
Reserved for Property Taxes	123,000		38,000	161,000
Reserved for Bus Purchase	5,370			5,370
Reserved for Encumbrances	51,778	877,259	1,073	930,110
Unreserved, Reported in:				
General Fund (Deficit)	(431,665)			(431,665)
Special Revenue Funds			114,752	114,752
Debt Service Fund			213,145	213,145
Capital Projects Funds		5,512,389	43,246	5,555,635
Total Fund Balances	<u>(251,517)</u>	<u>6,389,648</u>	<u>410,216</u>	<u>6,548,347</u>
Total Liabilities and Fund Balances	<u>\$2,167,101</u>	<u>\$12,901,666</u>	<u>\$892,688</u>	<u>\$15,961,455</u>

See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balances \$6,548,347

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. 2,544,812

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	3,680	
Intergovernmental Receivable	6,512,018	
Property Taxes Receivable	36,616	
Income Taxes Receivable	81,026	
		6,633,340

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 128,390

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

Accrued Interest Payable	(75,121)	
Tractor Loan Payable	(1,393)	
General Obligation Bonds Payable	(6,416,962)	
Compensated Absences Payable	(551,096)	
		(7,044,572)

Net Assets of Governmental Activities \$8,810,317

See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Classroom Facilities	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$1,435,962		\$319,706	\$1,755,668
Income Taxes	1,374,505			1,374,505
Payment in Lieu of Taxes	7,476			7,476
Intergovernmental	3,151,505	\$299,873	781,005	4,232,383
Interest	2,589	9,998	7	12,594
Tuition and Fees	297,891			297,891
Extracurricular Activities			109,553	109,553
Charges for Services			129,771	129,771
Gifts and Donations	14,457		27,495	41,952
Miscellaneous	20,229		17,121	37,350
Total Revenues	<u>6,304,614</u>	<u>309,871</u>	<u>1,384,658</u>	<u>7,999,143</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,121,687		103,781	3,225,468
Special	444,297		163,995	608,292
Vocational	343,330		1,230	344,560
Support Services:				
Pupils	150,355		41,251	191,606
Instructional Staff	396,791		31,498	428,289
Board of Education	38,101			38,101
Administration	860,864		34,136	895,000
Fiscal	225,826		6,823	232,649
Operation and Maintenance of Plant	489,412		184,640	674,052
Pupil Transportation	246,814		47,388	294,202
Central	6,534		6,000	12,534
Non-Instructional Services				
Extracurricular Activities	176,621		314,804	314,804
Capital Outlay		208,122	104,900	281,521
Debt Service:				
Principal Retirement	4,047			4,047
Interest and Fiscal Charges	176		41,919	42,095
Issuance Costs			128,390	128,390
Total Expenditures	<u>6,504,855</u>	<u>208,122</u>	<u>1,210,755</u>	<u>7,923,732</u>
Excess of Revenues Over (Under) Expenditures	<u>(200,241)</u>	<u>101,749</u>	<u>173,903</u>	<u>75,411</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	4,200			4,200
Bond Anticipation Notes Issued		6,287,899		6,287,899
General Obligation Bonds Issued			6,287,875	6,287,875
Premium on Bonds Issued			128,414	128,414
Current Refunding			(6,287,899)	(6,287,899)
Transfers In			46,513	46,513
Transfers Out	(46,513)			(46,513)
Total Other Financing Sources (Uses)	<u>(42,313)</u>	<u>6,287,899</u>	<u>174,903</u>	<u>6,420,489</u>
Changes in Fund Balances	(242,554)	6,389,648	348,806	6,495,900
Fund Balances (Deficit) at Beginning of Year	(8,963)		61,410	52,447
Fund Balances (Deficit) at End of Year	<u>(\$251,517)</u>	<u>\$6,389,648</u>	<u>\$410,216</u>	<u>\$6,548,347</u>

See Accompanying Notes to the Basic Financial Statements

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Cory-Rawson Local School District
 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, 2010

Changes in Fund Balances - Total Governmental Funds \$6,495,900

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 outlay in the current fiscal year:

Capital Outlay - Nondepreciable Capital Assets	208,122	
Capital Outlay - Depreciable Capital Assets	59,958	
Depreciation	<u>(171,448)</u>	96,632

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(4,200)	
Loss on Disposal of Capital Assets	<u>(24,286)</u>	(28,486)

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

Property Taxes	5,503	
Income Taxes	(193)	
Intergovernmental	6,475,169	
Tuition and Fees	(225)	
Payment in Lieu of Taxes	<u>(7,476)</u>	6,472,778

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

Tractor Loan	4,047	
Payment to Refunded Bond Escrow Agent	<u>6,287,899</u>	6,291,946

Note and bond proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets.

Note Proceeds	(6,287,899)	
Bond Proceeds	<u>(6,287,875)</u>	(12,575,774)

(continued)

Cory-Rawson Local School District
 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, 2010
 (continued)

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net assets. Premiums and issuance costs are reported as revenues and expenses when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	(75,121)	
Annual Accretion	(673)	
Premium on General Obligation Bonds	(128,414)	
Unamortized Issuance Costs	128,390	(\$75,818)

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. (24,249)

Change in Net Assets of Governmental Activities \$6,652,929

See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$1,536,731	\$1,536,731	\$1,484,739	(\$51,992)
Income Taxes	1,284,290	1,284,290	1,287,539	3,249
Payment in Lieu of Taxes	42,000	42,000	7,476	(34,524)
Intergovernmental	3,360,942	3,366,672	3,179,142	(187,530)
Interest	13,000	13,000	3,820	(9,180)
Tuition and Fees	285,800	285,800	297,891	12,091
Gifts and Donations	10,000	10,000	14,457	4,457
Miscellaneous	3,200	3,200	6,602	3,402
Total Revenues	<u>6,535,963</u>	<u>6,541,693</u>	<u>6,281,666</u>	<u>(260,027)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,091,217	3,119,904	3,110,018	9,886
Special	439,304	448,465	454,865	(6,400)
Vocational	317,267	344,785	345,255	(470)
Support Services:				
Pupils	203,601	238,016	180,767	57,249
Instructional Staff	395,149	385,658	381,407	4,251
Board of Education	46,450	64,310	51,902	12,408
Administration	798,547	854,304	850,593	3,711
Fiscal	216,447	210,150	216,055	(5,905)
Operation and Maintenance of Plant	591,535	475,842	506,432	(30,590)
Pupil Transportation	301,446	244,404	249,380	(4,976)
Central	5,450	5,450	6,534	(1,084)
Extracurricular Activities	251,745	165,775	177,973	(12,198)
Total Expenditures	<u>6,658,158</u>	<u>6,557,063</u>	<u>6,531,181</u>	<u>25,882</u>
Excess of Revenues				
Under Expenditures	<u>(122,195)</u>	<u>(15,370)</u>	<u>(249,515)</u>	<u>(234,145)</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets			4,200	4,200
Refund of Prior Year Expenditures			5,128	5,128
Advances In	115,000	115,000	118,684	3,684
Advances Out		(111,987)	(114,846)	(2,859)
Transfers Out	(8,800)	(66,813)	(46,513)	20,300
Total Other Financing Sources (Uses)	<u>106,200</u>	<u>(63,800)</u>	<u>(33,347)</u>	<u>30,453</u>
Changes in Fund Balance	(15,995)	(79,170)	(282,862)	(203,692)
Fund Balance at Beginning of Year	167,688	167,688	167,688	
Prior Year Encumbrances Appropriated	92,633	92,633	92,633	
Fund Balance (Deficit) at End of Year	<u>\$244,326</u>	<u>\$181,151</u>	<u>(\$22,541)</u>	<u>(\$203,692)</u>

See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$7,646	\$21,147
<u>Liabilities:</u>		
Due to Students		\$21,147
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$7,646	

See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
Statement of Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2010

Additions:

Contributions and Donations	\$800
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Deductions:

Non-Instructional Services	1,000
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Change in Net Assets	(200)
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Net Assets at Beginning of Year	7,846
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Net Assets at End of Year	\$7,646
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See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1949. The School District serves an area of approximately one hundred five square miles. It is located in Hancock County. The School District is the 567th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-five classified employees, forty-seven certified teaching personnel, and six administrative employees who provide services to 640 students and other community members. The School 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 School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Cory-Rawson Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School 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 School District's reporting entity includes the following:

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

The School District participates in four jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Millstream Career and Technology Center, the Hancock County Local Professional Development Committee, the Northwestern Ohio Educational Research Council, Inc., the Schools of Ohio Risk Sharing Authority, Hancock County School Health Benefit Fund, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 22 and 23 to the basic financial statements.

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 School 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 School District's accounting policies.

A. Basis of Presentation

The School 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 School 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 School 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 School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School 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 School 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 requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School 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 School District.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School 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 School 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 School 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 School District are divided into two categories, governmental and fiduciary.

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the School 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 School District's major funds are the General Fund and the Classroom Facilities capital projects 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Facilities Fund - The Classroom Facilities Fund accounts for bond proceeds used for an addition to the current high school/middle school.

The other governmental funds of the School 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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School 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 School 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 School 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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 School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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, 2010, but which were levied to finance fiscal year 2011 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.

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 School 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 School District.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2010, investments consisted of repurchase agreements, mutual funds, and STAR Ohio. Repurchase agreements are reported at cost. Mutual funds are reported at fair value, which is based on current share price. 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, 2010.

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 2010 was \$2,589, which includes \$923 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School 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, 2010, 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 the amount of unexpended revenues restricted for the purchase of school buses.

J. Capital Assets

All of the School 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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 School 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.

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

Description	Useful Lives
Land Improvements	30 - 40 years
Buildings and Building Improvements	20 - 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 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 School District will compensate the employees for the benefits through paid time off or some other means. The School 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 School 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 School District's termination policy. The School 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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 and bonds are recognized as liabilities on the fund financial statements when due.

N. Unamortized Issuance Costs and Premiums

On government-wide financial statements, issuance costs and premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and are generally paid from debt proceeds. Bond premiums are presented as an addition to the face amount of bonds payable.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the debt is issued.

O. 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 School 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.

The School 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.

P. Fund Balance Reserves

The School 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Q. 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.

R. 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.

Note 3 - Change in Accounting Principles and Restatement of Net Assets

A. Change in Accounting Principles

For fiscal year 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

Note 3 - Change in Accounting Principles and Restatement of Net Assets (continued)

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

B. Restatement of Net Assets

In fiscal year 2010, the School District changed the accounting treatment applied to the receivable for payment in lieu of taxes. Based on guidance from GASB, this receivable is presently considered a non-exchange transaction and a one year receivable is being recorded. In prior years, this was considered an exchange transaction and the entire receivable was recognized in the initial year.

The restatement had the following effect on net assets as previously reported.

	Governmental Activities
Net Assets at June 30, 2009	\$2,322,741
Payment in Lieu of Taxes Receivable	(165,353)
Restated Net Assets at June 30, 2009	<u>\$2,157,388</u>

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2010, the General Fund and the Food Service special revenue fund had deficit fund balances, in the amount of \$251,517 and \$29,627, respectively, resulting from adjustments for accrued liabilities.

B. Compliance

The Food Service special revenue fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2010, in the amount of \$360.

The Treasurer will more closely monitor to ensure that expenditures do not exceed amounts appropriated and that appropriations remain within estimated resources.

Note 5 - Budgetary Basis of Accounting

While the School 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).

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

Changes in Fund Balance	
GAAP Basis	(\$242,554)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2009, Received in Cash FY 2010	630,533
Accrued FY 2010, Not Yet Received in Cash	(644,166)
Expenditure Accruals:	
Accrued FY 2009, Paid in Cash FY 2010	(914,739)
Accrued FY 2010, Not Yet Paid in Cash	950,293
Unrecorded Cash Activity 2009	36
Prepaid Items	7,585
Advances In	118,684
Advances Out	(114,846)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(73,688)
Budget Basis	(\$282,862)

Note 6 - Deposits and Investments

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

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

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

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

Interim monies held by the School 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); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

Cory-Rawson Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 6 - Deposits and Investments (continued)

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 School 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.

Investments

As of June 30, 2010, the School District had the following investments:

	Fair Value	Maturity
Repurchase Agreements	\$170,332	July 1, 2010
Mutual Funds	124,273	average 41 days
STAR Ohio	36,152	average 56 days
Total Investments	\$330,757	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the School District.

The securities underlying the repurchase agreement (Government National Mortgage Association Notes) and the mutual funds carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that repurchase agreements be limited to investments in United States treasury securities and federal government agency securities. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized standard rating service. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreements are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent. The School District has no investment policy dealing with custodial credit risk beyond the requirements of the State statute.

The School District places no limit on the amount of its interim monies it may invest in a particular security. As of June 30, 2010, the School District had 51.5 percent of its investments in repurchase agreements.

Note 7 - Receivables

Receivables at June 30, 2010, 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 income taxes and property taxes, are expected to be collected within one year. Income taxes and 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	
Continental LSD	<u>\$13,627</u>
Classroom Facilities	
State of Ohio	<u>6,512,018</u>
Other Governmental Funds	
Auxiliary Services	3,761
Title VI-B	<u>59,819</u>
Total Other Governmental Funds	<u>63,580</u>
Total Intergovernmental Receivables	<u>\$6,589,225</u>

Note 8 - Income Taxes

The School 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 2007, the School District levied an additional voted .75 percent income tax effective on January 1, 2009, 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - Property Taxes

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

Note 9 - 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 School District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 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 School District prior to June 30.

The School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, 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 were levied to finance current fiscal year operations and are 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, 2010, was \$123,000 in the General Fund, \$3,000 in the Classroom Maintenance special revenue fund, \$29,000 in the Bond Retirement debt service fund, and \$6,000 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2009, was \$176,000 in the General Fund and \$9,000 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 9 - Property Taxes (continued)

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$65,646,240	85.94%	\$66,890,160	85.02%
Industrial/Commercial	7,443,130	9.74	8,583,000	10.91
Public Utility	3,300,150	4.32	3,198,930	4.07
Total Assessed Value	<u>\$76,389,520</u>	<u>100.00%</u>	<u>\$78,672,090</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.00		\$39.50	

During fiscal year 2010, the voters of the School District approved two bond levies, one for 5 mills and one for .5 mills, for the classroom facilities construction and maintenance.

Note 10 - Payment in Lieu of Taxes

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

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$42,390			\$42,390
Construction in Progress		\$208,122		208,122
Total Nondepreciable Capital Assets	<u>42,390</u>	<u>208,122</u>		<u>250,512</u>

Cory-Rawson Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 11 - Capital Assets (continued)

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Depreciable Capital Assets				
Land Improvements	\$63,354			\$63,354
Buildings and Building Improvements	3,412,088			3,412,088
Furniture, Fixtures, and Equipment	1,653,646	\$45,958		1,699,604
Vehicles	802,898	14,000	(\$135,087)	681,811
Total Depreciable Capital Assets	5,931,986	59,958	(135,087)	5,856,857
Less Accumulated Depreciation				
Land Improvements	(32,201)	(1,711)		(33,912)
Buildings and Building Improvements	(1,832,711)	(57,673)		(1,890,384)
Furniture, Fixtures, and Equipment	(1,205,572)	(72,055)		(1,277,627)
Vehicles	(427,226)	(40,009)	106,601	(360,634)
Total Accumulated Depreciation	(3,497,710)	(171,448)	106,601	(3,562,557)
Depreciable Capital Assets, Net	2,434,276	(111,490)	(28,486)	2,294,300
Governmental Activities Capital Assets, Net	<u>\$2,476,666</u>	<u>\$96,632</u>	<u>(\$28,486)</u>	<u>\$2,544,812</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$60,724
Special	6,838
Vocational	4,755
Support Services:	
Pupils	1,785
Instructional Staff	3,018
Administration	3,846
Fiscal	1,927
Operation and Maintenance of Plant	26,503
Pupil Transportation	40,287
Non-Instructional Services	4,958
Extracurricular Activities	16,807
Total Depreciation Expense	<u><u>\$171,448</u></u>

Note 12 - Interfund Assets/Liabilities

At June 30, 2010, the General Fund had an interfund receivable and other governmental funds had an interfund payable, in the amount of \$1,573, for a loan made to other governmental funds. This repayment will be made within one year.

Note 13 - Risk Management

The School 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 2010, the School District contracted with the Schools of Ohio Risk Sharing Authority for the following insurance coverage.

General Liability	
Per Occurrence	\$12,000,000
Total per Year	14,000,000
Automobile Liability	12,000,000
Building and Contents	21,074,593

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.

In fiscal year 2010, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

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

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., 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.

Note 14 - Significant Contractual Commitments

The School District has several outstanding contracts for professional services. The following amounts remained on these contracts as of June 30, 2010:

Vendor	Contract Amount	Amount Paid as of 6/30/10	Outstanding Balance
Stan and Associates, Inc.	\$33,531	\$2,702	\$30,829
Bricker & Eckler	11,500	2,500	9,000
Becker Impressions	30,000		30,000
Freytag & Associates, Inc.	730,584	105,935	624,649
Freytag & Associates, Inc.	250,000	70,574	179,426
Van Horn, Hoover & Associates	10,000	1,120	8,880

Note 15 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the 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. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Note 15 - Defined Benefit Pension Plans (continued)

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$377,621, \$374,568, and \$364,010, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for fiscal year 2010 were \$951 made by the school district and \$679 made by the plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$106,318, \$82,606, and \$79,682, respectively; 21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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, 2010, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 16 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$29,121, \$28,822, and \$28,007, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$12,563.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$3,827, \$37,804, and \$36,361, respectively; 21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 16 - Postemployment Benefits (continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$6,323, \$6,816, and \$5,741, respectively; 21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 17 - 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 School District provides medical, dental, and vision insurance to all employees through the Hancock County Schools Health Benefit Fund. Depending upon the plan chosen, the employees share the cost of monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

The School District provides life insurance to all employees through Fort Dearborn Life Insurance.

C. Separation Benefits

The School District offers a separation benefit to classified employees eligible to retire under SERS. The employee must submit their resignation for retirement to the Board no later than May 1 of the fiscal year in which they plan to retire. A separation benefit of \$10,000 will be paid at the time severance payment is paid to the employee. At June 30, 2010, there was no liability for separation benefits.

Note 18 - Notes Payable

On November 28, 2009, the School District issued School Facilities Construction and Improvement bond anticipation notes, in the amount of \$6,287,899. The notes had an interest rate of 1.875 percent and matured on June 9, 2010. The notes were paid with the proceeds of general obligation bonds.

Cory-Rawson Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 19 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10	Amounts Due Within One Year
Governmental Activities					
Long-Term Obligations					
Tractor Loan Payable	\$5,440		\$4,047	\$1,393	\$1,393
General Obligation Bonds					
FY 2010 School Facilities					
Construction and Improvement					
Bonds					
Serial Bonds 1.25 - 5.625%		\$2,255,000		2,255,000	100,000
Term Bonds 6.05- 6.55%		3,950,000		3,950,000	
Capital Appreciation Bonds 3.7 - 4%		82,875		82,875	
Accretion of Capital Appreciation Bonds		673		673	
Premium		128,414		128,414	
Total General Obligation Bonds		6,416,962		6,416,962	100,000
Compensated Absences Payable	526,847	101,487	77,238	551,096	17,769
Total Governmental Activities Long-Term Obligations	<u>\$532,287</u>	<u>\$6,518,449</u>	<u>\$81,285</u>	<u>\$6,969,451</u>	<u>\$119,162</u>

Tractor Loan - On October 28, 2005, the School 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.

FY 2010 School Facilities Construction and Improvement Bonds - On April 13, 2010, the School District issued \$6,287,875, in general obligation bonds for constructing a school building. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$2,255,000, \$3,950,000, and \$82,875, respectively. The bonds were issued for a twenty-nine year period, with final maturity during fiscal year 2039. The bonds will be retired through the Bond Retirement debt service fund.

As of June 30, 2010, the School District had unspent bond proceeds, in the amount of \$6,287,875.

The term bonds maturing on January 15, 2028, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on January 15 in the year and the respective principal amounts as follows:

Year	Amount
2026	\$215,000
2027	225,000

The remaining principal, in the amount of \$230,000, will be paid at stated maturity on January 15, 2028.

Cory-Rawson Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 19 - Long-Term Obligations (continued)

The term bonds maturing on January 15, 2033, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on January 15 in the year and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2029	\$240,000
2030	250,000
2031	260,000
2032	270,000

The remaining principal, in the amount of \$285,000, will be paid at stated maturity on January 15, 2033.

The term bonds maturing on January 15, 2039, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on January 15 in the year and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2034	\$295,000
2035	310,000
2036	320,000
2037	335,000
2038	350,000

The remaining principal, in the amount of \$365,000, will be paid at stated maturity on January 15, 2039.

The serial bonds are subject to optional prior redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after January 15, 2020, at a redemption equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The Series 2010B serial bonds are subject to extraordinary optional redemption, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date in the event that the Build America payments from the federal government cease or are in an amount less than 35 percent of the corresponding interest payable on the Series 2010B bonds.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2015 and 2016. The maturity amount of the bonds is \$270,000. For fiscal year 2010, \$673 was accreted for a total bond value of \$83,548 at fiscal year end.

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

The School District's overall debt margin was \$755,878 with an unvoted debt margin of \$75,589 at June 30, 2010.

Cory-Rawson Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 19 - Long-Term Obligations (continued)

Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2010, were as follows:

Tractor Loan Payable					
Fiscal Year Ending June 30,	Principal	Interest	Total		
2011	\$1,393	\$14	\$1,407		

General Obligation Bonds					
Fiscal Year Ending June 30,	Serial	Term	Capital Appreciation	Interest	Total
2011	\$100,000			\$264,807	\$364,807
2012	150,000			349,228	499,228
2013	155,000			346,604	501,604
2014	155,000			342,922	497,922
2015	160,000			338,272	498,272
2016-2020	570,000		\$82,875	1,816,881	2,469,756
2021-2025	965,000			1,428,240	2,393,240
2026-2030		\$1,160,000		1,131,030	2,291,030
2031-2035		1,420,000		733,408	2,153,408
2036-2039		1,370,000		229,252	1,599,252
Total	\$2,255,000	\$3,950,000	\$82,875	\$6,980,644	\$13,268,519

Note 20 - Set Asides

The School 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 2010.

	Textbooks	Capital Improvements
Balance at June 30, 2009	(\$105,783)	
Current Year Set Aside Requirement	101,912	\$101,912
Current Year Offsets		(101,912)
Qualifying Expenditures	(75,347)	
Balance at June 30, 2010	(\$79,218)	

Note 20 - Set Asides (continued)

The School 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 21 - Interfund Transfers

During fiscal year 2010, the General Fund transferred \$46,513 to other governmental funds to subsidize activities in other funds.

Note 22 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The School 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 2010, the School District paid \$17,113 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 Career and Technology Center

The Millstream Career and Technology Center (Technology Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Technology Center is operated under the direction of an advisory council consisting of the superintendent of each participating school district and one additional representative from the Findlay City School District. The treasurers from the Hancock and Putnam County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, 1219 West Main Cross, Suite 101, 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 the Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

Note 22 - Jointly Governed Organizations (continued)

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as 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.

Note 23 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishing agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

B. Hancock County School Health Benefit Fund

The Hancock County Schools Health Benefit Fund (Fund) 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 Developmental Disabilities. The Fund is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to the employees of the participants. Each participants' superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington National Bank, concerning aspects of the administration of the Fund.

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

Note 23 - Insurance Pools (continued)

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

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by 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 24 - Contingencies

A. Grants

The School 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 School District at June 30, 2010.

B. Litigation

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

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
National School Lunch Program	10.555		
Cash Assistance		68,431	68,431
Non-Cash Assistance (Commodities)		10,847	10,847
Total U.S. Department of Agriculture		79,278	79,278
U.S. DEPARTMENT OF EDUCATION			
Direct Assistance			
Rural Education	84.358	39,853	39,853
<i>Passed Through Ohio Department of Education</i>			
Safe and Drug-Free Schools and Communities - State Grants	84.186	1,527	1,527
Education Technology State Grants	84.318	250	248
Improving Teacher Quality State Grants	84.367	17,718	17,718
ARRA - State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act	84.394	174,867	174,867
Title I Grants to Local Educational Agencies	84.010	27,917	27,917
<u>Special Education Cluster</u>			
Special Education-Grants to States	84.027	135,272	135,272
Special Education-Preschool Grants	84.173	802	802
ARRA - Special Education-Grants to States, Recovery Act	84.391	92,308	82,088
Total Special Education Cluster		228,382	218,162
Total U.S. Department of Education		490,514	480,292
Total Federal Awards Receipts and Expenditures		\$569,792	\$559,570

The Notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this schedule.

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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, each 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2011. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 10, 2011.

We intend this report solely for the information and use of management, the Audit and Finance Committees, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

Dave Yost
Auditor of State

March 10, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Cory-Rawson Local School District, Hancock County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Cory-Rawson Local School District, Hancock County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 10, 2011.

We intend this report solely for the information and use of the Audit and Finance Committees, management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Dave Yost
Auditor of State

March 10, 2011

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	ARRA State Fiscal Stabilization Fund – Education State Grants CFDA #84.394 Special Education Cluster: Special Education – Grants to States CFDA #84.027 Special Education – Preschool Grants CFDA #84.173 ARRA - Special Education – Grants to States CFDA #84.391
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2010-001

Ohio Revised Code § 5705.41(D)(1) states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the treasurer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the requirement stated above that a treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the treasurer can certify both at the time the contract or order was made ("then"), and at the time the treasurer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by resolution. Amounts less than \$3,000 may be paid by the treasurer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.
2. **Blanket Certificate** – Treasurers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Forty-four percent of the transactions tested were not properly certified by the Treasurer at the time the commitment was incurred, and there was no evidence the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure purchase commitments receive prior approval. To improve controls over disbursements, we recommend all District disbursements receive prior certification from the Treasurer and that the Board periodically review the expenditures made to ensure they are certified by the Treasurer.

Officials' Response:

We did not receive a response from Officials to this finding.

3. FINDINGS FOR FEDERAL AWARDS

None



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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
MARCH 29, 2011**