



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, 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, 2012, 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, 2012, 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 February 19, 2013, 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 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

February 19, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The discussion and analysis of Cory-Rawson Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Highlights for fiscal year 2012 are as follows:

In total, net assets increased \$312,587, or 3 percent.

General revenues were 83 percent of total revenues and continue to reflect the District's significant dependence on taxes and unrestricted state entitlements.

Using the Basic Financial Statements

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

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other nonmajor funds presented in total in a single column. For Cory-Rawson Local School District, the General Fund and the Classroom Facilities capital projects fund are the most significant funds.

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Reporting the District's Most Significant Funds

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

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

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

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2012 and fiscal year 2011:

Table 1 Net Assets			
	Governmental Activities		
	2012	2011	Change
<u>Assets:</u>			
Current and Other Assets	\$13,421,214	\$16,284,237	(\$2,863,023)
Capital Assets, Net	7,326,188	3,158,077	4,168,111
Total Assets	<u>20,747,402</u>	<u>19,442,314</u>	<u>1,305,088</u>
<u>Liabilities:</u>			
Current and Other Liabilities	4,139,223	3,082,808	(1,056,415)
Long-Term Liabilities	6,824,348	6,888,262	63,914
Total Liabilities	<u>10,963,571</u>	<u>9,971,070</u>	<u>(992,501)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	7,015,906	2,898,367	4,117,539
Restricted	2,858,278	6,934,407	(4,076,129)
Unrestricted (Deficit)	(90,353)	(361,530)	271,177
Total Net Assets	<u>\$9,783,831</u>	<u>\$9,471,244</u>	<u>\$312,587</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

A review of the above reveals several changes of note from the prior fiscal year. The decrease in current and other assets is due to a decrease in cash and cash equivalents as resources were spent on building construction as well as a reduction in intergovernmental receivables due to the less resources outstanding from the Ohio School Facilities Commission at fiscal year end as there was in the prior fiscal year. These decreases are also reflected in the decrease in restricted net assets. The increase in net capital assets and invested in capital assets reflects ongoing construction activities. The increase in current and other liabilities is also construction related due to outstanding contracts and retainage liabilities at fiscal year end.

Table 2 reflects the changes in net assets for fiscal year 2012 and fiscal year 2011:

Table 2
Change in Net Assets

	Governmental Activities		Change
	2012	2011	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$692,346	\$602,094	\$90,252
Operating Grants and Contributions	709,953	838,759	(128,806)
Total Program Revenues	<u>1,402,299</u>	<u>1,440,853</u>	<u>(38,554)</u>
General Revenues			
Property Taxes Levied for General Purposes	1,707,764	1,667,167	40,597
Property Taxes Levied for Classroom Facilities Maintenance	36,524	34,895	1,629
Property Taxes Levied for Debt Service	344,645	349,946	(5,301)
Property Taxes Levied for Permanent Improvements	80,294	81,148	(854)
Income Taxes Levied for General Purposes	1,450,943	1,399,371	51,572
Payment in Lieu of Taxes		6,220	(6,220)
Grants and Entitlements	3,059,998	3,228,068	(168,070)
Interest	30,346	43,750	(13,404)
Gifts and Donations	47,029	42,726	4,303
Miscellaneous	51,175	9,080	42,095
Total General Revenues	<u>6,808,718</u>	<u>6,862,371</u>	<u>(53,653)</u>
Total Revenues	<u>8,211,017</u>	<u>8,303,224</u>	<u>(92,207)</u>
<u>Expenses</u>			
Instruction:			
Regular	3,189,947	3,188,080	(1,867)
Special	610,113	584,029	(26,084)
Vocational	248,169	302,289	54,120
Support Services:			
Pupils	281,211	236,453	(44,758)
Instructional Staff	317,408	302,397	(15,011)
Board of Education	34,949	42,012	7,063

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Administration	882,313	863,631	(18,682)
Fiscal	243,017	224,034	(18,983)
Operation and Maintenance of Plant	698,541	640,617	(57,924)
Pupil Transportation	421,730	346,276	(75,454)
Central	9,429	11,811	2,382
Non-Instructional Services	294,555	271,513	(23,042)
Extracurricular Activities	298,159	267,096	(31,063)
Interest and Fiscal Charges	368,889	364,579	(4,310)
Total Expenses	<u>7,898,430</u>	<u>7,644,817</u>	<u>(253,613)</u>
Increase in Net Assets	312,587	658,407	(345,820)
Net Assets at Beginning of Year	<u>9,471,244</u>	<u>8,812,837</u>	<u>658,407</u>
Net Assets at End of Year	<u><u>\$9,783,831</u></u>	<u><u>\$9,471,244</u></u>	<u><u>\$312,587</u></u>

Program revenues represent 17 percent of total revenues and primarily consist of tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues. Although the change in program revenues from the prior fiscal year was not significant, the makeup of program revenues changed. The increase in charges for services was primarily due to additional tuition charges related to special instruction. The decrease in operating grants and contributions can be attributed to the expiration of restricted grant programs. The change in general revenues from the prior fiscal year was also not significant; however, note the decrease in unrestricted grants and entitlements due to the expiration of grant programs.

Program expenses increased 3 percent from the prior fiscal year with modest increases in most programs. The largest increase was in the pupil transportation program due to increases in fuel costs and for bus repairs. As is to be expected, the major program expenses for governmental activities are for instruction, which account for 51 percent of all governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation accounted for 13 percent of governmental expenses. Maintenance of the District's facilities also represents a significant expense, 9 percent.

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	
	2012	2011	2012	2011
Instruction:				
Regular	\$3,189,947	\$3,188,080	\$2,759,700	\$2,588,372
Special	610,113	584,029	70,643	165,796
Vocational	248,169	302,289	195,867	249,987
Support Services:				
Pupils	281,211	236,453	281,211	231,453

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Instructional Staff	317,408	302,397	317,408	302,397
Board of Education	34,949	42,012	34,949	42,012
Administration	882,313	863,631	882,313	863,631
Fiscal	243,017	224,034	243,017	224,034
Operation and Maintenance of Plant	698,541	640,617	698,541	640,617
Pupil Transportation	421,730	346,276	421,642	346,276
Central	9,429	11,811	4,029	4,986
Non-Instructional Services	294,555	271,513	29,975	12,271
Extracurricular Activities	298,159	267,096	187,947	167,553
Interest and Fiscal Charges	368,889	364,579	368,889	364,579
Total Expenses	<u>\$7,898,430</u>	<u>\$7,644,817</u>	<u>\$6,496,131</u>	<u>\$6,203,964</u>

With the substantial contribution of general revenues for funding the District's activities, only a limited number of activities receive much support from program revenues. For special instruction costs, 88 percent was provided for through operating grants for special instruction programs. The non-instructional services costs received 90 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 District. Almost 37 percent of extracurricular activities costs are covered by program revenues. These consist of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund had an increase in fund balance from the prior fiscal year. There was a 4 percent increase in revenues and a 5 percent increase in expenditures; however, revenues were in excess of expenditures resulting in an increase in fund balance.

The Classroom Facilities Fund had a 24 percent decrease in fund balance due to resources being spent on construction.

General Fund Budgeting Highlights

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

During fiscal year 2012, the District amended its General Fund budget as needed. For both revenues and expenditures, changes from the original budget to the final budget and from the final budget to actual revenues received or expenditures made were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$7,326,188 invested in capital assets (net of accumulated depreciation). Additions were largely construction related activities. There were no disposals. For further information regarding the District's capital assets, refer to Note 9 to the basic financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Debt

At June 30, 2012, long-term obligations consisted of a land loan, in the amount of \$17,996, which will be paid off in fiscal year 2014, a bus loan, in the amount of \$58,950 which will be paid off in fiscal year 2016, and general obligation bonds issued for building construction, in the amount of \$6,195,089. The District's long-term obligations also include compensated absences. For further information regarding the District's long-term obligations, refer to Note 16 to the basic financial statements.

Current Issues

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

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

The District is in the second year of a three-year negotiated agreement with the teachers' union. There is a base salary increase of 3 percent in the first year of the contract (2011-12), a 0 percent base salary increase in the second year (2012-13), and a .5 percent increase in base salary in the third year (2013-14).

The District's classified staff received a 2 percent increase in their base salaries for the 2011-12 school year. The District is in the first year of a three-year negotiated agreement with the classified staff. There is no base salary increase for the first year (2012-13), no base salary increase for the second year (2013-14), and a .5 percent increase in base salary in the third year (2014-15).

The five-year forecast indicates that the District will deficit spend beginning in fiscal year 2013; 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 District's Financial Management

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

Cory-Rawson Local School District
Hancock County
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$9,223,843
Accounts Receivable	4,352
Accrued Interest Receivable	4,693
Intergovernmental Receivable	1,255,881
Prepaid Items	27,762
Inventory Held for Resale	2,418
Materials and Supplies Inventory	900
Income Taxes Receivable	560,009
Property Taxes Receivable	2,218,071
Unamortized Issuance Costs	123,285
Nondepreciable Capital Assets	5,156,189
Depreciable Capital Assets, Net	<u>2,169,999</u>
Total Assets	<u>20,747,402</u>
 <u>Liabilities:</u>	
Accounts Payable	53,937
Contracts Payable	850,475
Accrued Wages and Benefits Payable	641,516
Intergovernmental Payable	174,769
Matured Compensated Absences Payable	48,471
Accrued Interest Payable	159,249
Retainage Payable	181,201
Deferred Revenue	2,029,605
Long-Term Liabilities:	
Due Within One Year	202,840
Due in More Than One Year	<u>6,621,508</u>
Total Liabilities	<u>10,963,571</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	7,015,906
Restricted For:	
Debt Service	122,440
Capital Projects	2,541,968
Other Purposes	193,870
Unrestricted (Deficit)	<u>(90,353)</u>
Total Net Assets	<u><u>\$9,783,831</u></u>

See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
Hancock County
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues		Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions Governmental Activities
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$3,189,947	\$343,836	\$86,411
Special	610,113	125,650	413,820
Vocational	248,169		52,302
Support Services:			
Pupils	281,211		
Instructional Staff	317,408		
Board of Education	34,949		
Administration	882,313		
Fiscal	243,017		
Operation and Maintenance of Plant	698,541		
Pupil Transportation	421,730		88
Central	9,429		5,400
Non-Instructional Services	294,555	123,035	141,545
Extracurricular Activities	298,159	99,825	10,387
Interest and Fiscal Charges	368,889		
Total Governmental Activities	<u>\$7,898,430</u>	<u>\$692,346</u>	<u>\$709,953</u>

General Revenues:

Property Taxes Levied for General Purposes	1,707,764
Property Taxes Levied for Classroom Facilities Maintenance	36,524
Property Taxes Levied for Debt Service	344,645
Property Taxes Levied for Permanent Improvements	80,294
Income Taxes Levied for General Purposes	1,450,943
Grants and Entitlements not Restricted to Specific Programs	3,059,998
Interest	30,346
Gifts and Donations	47,029
Miscellaneous	51,175
Total General Revenues	<u>6,808,718</u>

Change in Net Assets	312,587
Net Assets at Beginning of Year	9,471,244
Net Assets at End of Year	<u>\$9,783,831</u>

See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
Hancock County
Balance Sheet
Governmental Funds
June 30, 2012

	General	Classroom Facilities	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$623,067	\$7,967,873	\$632,903	\$9,223,843
Accounts Receivable	4,352			4,352
Accrued Interest Receivable	302	4,391		4,693
Intergovernmental Receivable		1,199,503	56,378	1,255,881
Interfund Receivable	40,150			40,150
Prepaid Items	27,762			27,762
Inventory Held for Resale			2,418	2,418
Materials and Supplies Inventory			900	900
Income Taxes Receivable	560,009			560,009
Property Taxes Receivable	1,743,492		474,579	2,218,071
Total Assets	<u>\$2,999,134</u>	<u>\$9,171,767</u>	<u>\$1,167,178</u>	<u>\$13,338,079</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$45,657	\$457	\$7,823	\$53,937
Contracts Payable		850,475		850,475
Accrued Wages and Benefits Payable	611,035		30,481	641,516
Intergovernmental Payable	165,199		9,570	174,769
Interfund Payable			40,150	40,150
Matured Compensated Absences Payable	48,471			48,471
Retainage Payable		181,201		181,201
Deferred Revenue	1,721,581	1,186,181	461,800	3,369,562
Total Liabilities	<u>2,591,943</u>	<u>2,218,314</u>	<u>549,824</u>	<u>5,360,081</u>
<u>Fund Balances:</u>				
Nonspendable	27,762		900	28,662
Restricted	6,920	6,953,453	660,231	7,620,604
Assigned	125,929			125,929
Unassigned (Deficit)	246,580		(43,777)	202,803
Total Fund Balances	<u>407,191</u>	<u>6,953,453</u>	<u>617,354</u>	<u>7,977,998</u>
Total Liabilities and Fund Balances	<u>\$2,999,134</u>	<u>\$9,171,767</u>	<u>\$1,167,178</u>	<u>\$13,338,079</u>

See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
Hancock County
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2012

Total Governmental Fund Balances	\$7,977,998
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,326,188
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	4,251	
Accrued Interest Receivable	3,586	
Intergovernmental Receivable	1,203,816	
Income Taxes Receivable	91,838	
Property Taxes Receivable	<u>36,466</u>	
		1,339,957

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.	123,285
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(159,249)	
Loans Payable	(76,946)	
General Obligation Bonds Payable	(6,195,089)	
Compensated Absences Payable	<u>(552,313)</u>	
		<u>(6,983,597)</u>

Net Assets of Governmental Activities	<u><u>\$9,783,831</u></u>
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See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
Hancock County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Classroom Facilities	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$1,710,647		\$462,359	\$2,173,006
Income Taxes	1,440,154			1,440,154
Intergovernmental	3,130,337	\$1,944,852	774,699	5,849,888
Interest	1,406	27,763	77	29,246
Tuition and Fees	476,003			476,003
Extracurricular Activities			99,825	99,825
Charges for Services			123,035	123,035
Gifts and Donations	41,628		15,788	57,416
Miscellaneous	50,448		727	51,175
Total Revenues	<u>6,850,623</u>	<u>1,972,615</u>	<u>1,476,510</u>	<u>10,299,748</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,933,175		231,992	3,165,167
Special	398,279		202,836	601,115
Vocational	242,182			242,182
Support Services:				
Pupils	273,365			273,365
Instructional Staff	314,434		316	314,750
Board of Education	34,949			34,949
Administration	865,770		5,942	871,712
Fiscal	228,959		10,650	239,609
Operation and Maintenance of Plant	602,880	17,716	44,052	664,648
Pupil Transportation	505,332		5,810	511,142
Central	4,029		5,400	9,429
Non-Instructional Services			292,003	292,003
Extracurricular Activities	168,159		114,139	282,298
Capital Outlay		4,173,479		4,173,479
Debt Service:				
Principal Retirement			161,441	161,441
Interest and Fiscal Charges			350,189	350,189
Total Expenditures	<u>6,571,513</u>	<u>4,191,195</u>	<u>1,424,770</u>	<u>12,187,478</u>
Excess of Revenues Over (Under) Expenditures	<u>279,110</u>	<u>(2,218,580)</u>	<u>51,740</u>	<u>(1,887,730)</u>
<u>Other Financing Sources (Uses):</u>				
Loan Issued	58,950			58,950
Transfers In			18,136	18,136
Transfers Out	(18,136)			(18,136)
Total Other Financing Sources (Uses)	<u>40,814</u>		<u>18,136</u>	<u>58,950</u>
Changes in Fund Balances	319,924	(2,218,580)	69,876	(1,828,780)
Fund Balances at Beginning of Year	87,267	9,172,033	547,478	9,806,778
Fund Balances at End of Year	<u>\$407,191</u>	<u>\$6,953,453</u>	<u>\$617,354</u>	<u>\$7,977,998</u>

See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
Hancock County
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012

Changes in Fund Balances - Total Governmental Funds (\$1,828,780)

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 capital outlay exceeded depreciation in the current fiscal year:

Capital Outlay - Nondepreciable Capital Assets	4,173,479	
Capital Outlay - Depreciable Capital Assets	150,452	
Depreciation	<u>(155,820)</u>	4,168,111

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

Property Taxes	(3,779)	
Income Taxes	10,789	
Intergovernmental	(2,090,324)	
Tuition and Fees	(6,517)	
Interest	<u>1,100</u>	(2,088,731)

Repayment of principal is an expenditure in governmental funds but the repayment reduces long-term liabilities on the statement of net assets. 161,441

Loan proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets. (58,950)

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

Accrued Interest Payable	1,136	
Annual Accretion	(19,836)	
Amortization of Premium	<u>3,063</u>	(15,637)

Issuance costs are reported as an expenditure when paid in the governmental funds but are amortized over the life of the debt on the statement of activities. (3,063)

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. (21,804)

Change in Net Assets of Governmental Activities \$312,587

See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
Hancock County
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$1,536,155	\$1,544,147	\$1,741,647	\$197,500
Income Taxes	1,367,626	1,432,000	1,446,315	14,315
Payment in Lieu of Taxes	6,500	6,500		(6,500)
Intergovernmental	3,032,902	3,098,650	3,130,337	31,687
Interest	2,000	2,000	1,421	(579)
Tuition and Fees	357,450	368,450	476,003	107,553
Gifts and Donations	17,012	36,024	41,628	5,604
Miscellaneous	13,800	13,800	49,230	35,430
Total Revenues	<u>6,333,445</u>	<u>6,501,571</u>	<u>6,886,581</u>	<u>385,010</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,030,952	3,030,976	2,941,504	89,472
Special	431,775	431,775	409,545	22,230
Vocational	296,614	296,614	238,598	58,016
Support Services:				
Pupils	187,272	187,272	272,534	(85,262)
Instructional Staff	307,644	307,644	320,339	(12,695)
Board of Education	55,624	55,624	57,122	(1,498)
Administration	850,889	859,770	879,918	(20,148)
Fiscal	224,592	224,592	230,165	(5,573)
Operation and Maintenance of Plant	646,715	646,782	647,182	(400)
Pupil Transportation	316,183	388,233	583,302	(195,069)
Central	5,963	5,963	4,895	1,068
Extracurricular Activities	167,480	167,481	167,822	(341)
Total Expenditures	<u>6,521,703</u>	<u>6,602,726</u>	<u>6,752,926</u>	<u>(150,200)</u>
Excess of Revenues Over (Under) Expenditures	<u>(188,258)</u>	<u>(101,155)</u>	<u>133,655</u>	<u>234,810</u>
<u>Other Financing Sources (Uses):</u>				
Loan Issued			58,950	58,950
Refund of Prior Year Expenditures			1,117	1,117
Advances In			78,207	78,207
Advances Out		(121,331)	(116,980)	4,351
Transfers In	1,000	1,000		(1,000)
Transfers Out	(1,000)	(86,669)	(17,719)	68,950
Total Other Financing Sources (Uses)		<u>(207,000)</u>	<u>3,575</u>	<u>210,575</u>
Changes in Fund Balance	(188,258)	(308,155)	137,230	445,385
Fund Balance at Beginning of Year	288,382	288,382	288,382	
Prior Year Encumbrances Appropriated	47,989	47,989	47,989	
Fund Balance at End of Year	<u>\$148,113</u>	<u>\$28,216</u>	<u>\$473,601</u>	<u>\$445,385</u>

See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
Hancock County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$7,834	\$24,118
<u>Liabilities:</u>		
Due to Students		\$24,118
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$7,834	

See Accompanying Notes to the Basic Financial Statements

Cory-Rawson Local School District
Hancock County
Statement of Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012

Additions:

Contributions and Donations	\$2,656
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Deductions:

Non-Instructional Services	<u>2,100</u>
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Change in Net Assets	556
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Net Assets at Beginning of Year	<u>7,278</u>
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Net Assets at End of Year	<u><u>\$7,834</u></u>
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See Accompanying Notes to the Basic Financial Statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Note 1 - Description of the District and Reporting Entity

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

The District was established in 1949. The District serves an area of approximately one hundred five square miles. It is located in Hancock County. The District is the 567th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-nine classified employees, forty-two certified teaching personnel, and five administrative employees who provide services to 619 students and other community members. The District currently operates two instructional buildings.

Reporting Entity

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

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

The District's reporting entity includes the following:

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

The 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 Schools Health Benefit Fund, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 20 and 21 to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Cory-Rawson Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the District has no business-type activities.

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

Fund Financial Statements

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

B. Fund Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District's 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 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 restricted for constructing an addition to the current high school/middle school.

The other governmental funds of the District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

E. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the District prior to fiscal year end.

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

F. Cash and Investments

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

During fiscal year 2012, investments consisted of nonnegotiable certificates of deposit, repurchase agreements, mutual funds, and STAR Ohio. Nonnegotiable certificates of deposit and 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 net asset value per share, which is the price the investment could be sold for on June 30, 2012.

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 2012 was \$1,406, which includes \$605 assigned from other District funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	30 - 40 years
Buildings and Building Improvements	20 - 113 years
Furniture, Fixtures, and Equipment	10 - 40 years
Vehicles	10 - 15 years

J. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Compensated Absences

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

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

The entire compensated 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.

L. 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.

M. 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.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

P. Interfund Transactions

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Q. Estimates

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

Note 3 - Accountability and Compliance

A. Accountability

At June 30, 2012, the Food Service, Race to the Top, and Title I special revenue funds had deficit fund balances, in the amount of \$24,859, 6,319, and \$11,699, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

For the fiscal year ended June 30, 2012, the General Fund had expenditures and other financing uses in excess of appropriations, in the amount of \$81,250.

The Treasurer will monitor to ensure that expenditures do not exceed amounts appropriated.

Note 4 - Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 4 - Budgetary Basis of Accounting (Continued)

Changes in Fund Balance

GAAP Basis	\$319,924
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2011, Received in Cash FY 2012	623,649
Accrued FY 2012, Not Yet Received in Cash	(586,574)
Expenditure Accruals:	
Accrued FY 2011, Paid in Cash FY 2012	(876,321)
Accrued FY 2012, Not Yet Paid in Cash	870,362
Prepaid Items	(25,988)
Advances In	78,207
Advances Out	(116,980)
Transfers Out	417
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(149,466)
Budget Basis	\$137,230

Note 5 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**CORY-RAWSON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 5 - Deposits and Investments (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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. Commercial paper and bankers' acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2012, the District had the following investments:

	Fair Value	Maturity
Repurchase Agreements	\$2,316,190	July 1, 2012
Mutual Funds	1,382,948	average 37.57 days
STAR Ohio	36,205	average 52.5 days
Total Investments	\$3,735,343	

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 District.

The securities underlying the repurchase agreement (Federal Home Loan Mortgage Corporation 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 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, that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized standard rating service, and that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**CORY-RAWSON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 5 - Deposits and Investments (Continued)

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the 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 but not in the District's name. The District has no investment policy dealing with custodial credit risk beyond the requirements of the State statute.

The District places no limit on the amount of its interim monies it may invest in a particular security. As of June 30, 2012, the District had 62 percent of its investments in repurchase agreements.

Note 6 - Receivables

Receivables at June 30, 2012, 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:

	Amount
Governmental Activities	
Classroom Facilities	
State of Ohio	\$1,199,503
Other Governmental Funds	
Education Jobs	9,769
Race to the Top	21,221
Title VI-B	10,555
Title II-D	388
Title I	14,368
IDEA-Early Childhood	77
Total Other Governmental Funds	56,378
Total Intergovernmental Receivables	\$1,255,881

Note 7 - Income Taxes

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is for a continuing period. In November 2007, the 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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.

The District receives property taxes from Hancock County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2012, 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, 2012, was \$118,000 in the General Fund, \$3,000 in the Classroom Maintenance special revenue fund, \$25,000 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, 2011, was \$149,000 in the General Fund, \$3,000 in the Classroom Maintenance special revenue fund, \$30,000 in the Bond Retirement debt service fund, and \$7,000 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.

The assessed values upon which fiscal year 2012 taxes were collected are:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 8 - Property Taxes (Continued)

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$77,977,840	86.42%	\$78,562,870	85.92%
Industrial/Commercial	8,874,930	9.84	9,374,700	10.25
Public Utility	<u>3,383,660</u>	<u>3.74</u>	<u>3,500,490</u>	<u>3.83</u>
Total Assessed Value	<u>\$90,236,430</u>	<u>100.00%</u>	<u>\$91,438,060</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.76		\$38.79	

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$132,711			\$132,711
Construction in Progress	849,999	\$4,173,479		5,023,478
Total Nondepreciable Capital Assets	<u>982,710</u>	<u>4,173,479</u>		<u>5,156,189</u>
Depreciable Capital Assets				
Land Improvements	105,554			105,554
Buildings and Building Improvements	3,412,088			3,412,088
Furniture, Fixtures, and Equipment	1,380,091	19,452		1,399,543
Vehicles	669,742	131,000		800,742
Total Depreciable Capital Assets	<u>5,567,475</u>	<u>150,452</u>		<u>5,717,927</u>
Less Accumulated Depreciation				
Land Improvements	(36,662)	(2,750)		(39,412)
Buildings and Building Improvements	(1,948,057)	(57,673)		(2,005,730)
Furniture, Fixtures, and Equipment	(1,017,681)	(55,437)		(1,073,118)
Vehicles	(389,708)	(39,960)		(429,668)
Total Accumulated Depreciation	<u>(3,392,108)</u>	<u>(155,820)</u>		<u>(3,547,928)</u>
Depreciable Capital Assets, Net	<u>2,175,367</u>	<u>(5,368)</u>		<u>2,169,999</u>
Governmental Activities Capital Assets, Net	<u>\$3,158,077</u>	<u>\$4,168,111</u>		<u>\$7,326,188</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 9 - Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$53,963	
Special	6,582	
Vocational	4,755	
Support Services:		
Pupils	1,785	
Instructional Staff	2,024	
Administration	3,358	
Fiscal	1,722	
Operation and Maintenance of Plant	20,697	
Pupil Transportation	40,765	
Non-Instructional Services	4,308	
Extracurricular Activities	15,861	
Total Depreciation Expense	\$155,820	

Note 10 - Interfund Assets/Liabilities

At June 30, 2012, the General Fund had an interfund receivable and other governmental funds had an interfund payable, in the amount of \$40,150, for a loan made to other governmental funds. This repayment will be made within one year.

Note 11 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the 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	23,388,531

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 2012, the 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 11 - Risk Management (Continued)

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

Note 12 - Significant Contractual Commitments

The District has several outstanding contracts for professional services. The following amounts remained on these contracts as of June 30, 2012:

Vendor	Contract Amount	Amount Paid as of 6/30/12	Outstanding Balance
ACI Construction Company, Inc.	\$5,585,700	\$1,824,505	\$3,761,195
Slagle Mechanical	1,852,000	439,270	1,412,730
Sollmann Electric Company	1,328,066	297,794	1,030,272
Vulcan Enterprises	366,775	22,310	344,465
Stan and Associates, Inc.	33,531	10,381	23,150
Bricker & Eckler	11,500	7,900	3,600
Becker Impressions	30,000	21,265	8,735
Freytag & Associates, Inc.	730,584	420,811	309,773
Van Horn, Hoover & Associates	10,000	5,970	4,030

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 13 - Defined Benefit Pension Plans (Continued)

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.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$357,893 and \$10 for the fiscal year ended June 30, 2012, \$358,303 for the fiscal year ended June 30, 2011, and \$377,621 and \$593 for the fiscal year ended June 30, 2010. For fiscal year 2012, 83 percent has been contributed for both the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$59 made by the District and \$42 made by the plan members. In addition, member contributions of \$7 were made for fiscal year 2012 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 13 - Defined Benefit Pension Plans (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$102,076, \$92,073, and \$106,318, respectively. For fiscal year 2012, 39 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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, 2012, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The District participates in 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 can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$27,536, \$27,575, and \$29,121, respectively. For fiscal year 2012, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**CORY-RAWSON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 14 - Postemployment Benefits (Continued)

B. School Employees Retirement System

Plan Description - The District participates in two cost-sharing multiple-employer defined benefit other postemployment 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, Medicare Advantage, 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 obligation 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 can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

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 105(e). For fiscal year 2012, .55 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 2012, this amount was \$35,800. For fiscal year 2012, the District paid \$11,942 in surcharge.

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 District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$4,421, \$11,149, and \$3,827, respectively. For fiscal year 2012, 39 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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 2012, this actuarially required allocation was .75 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$6,028, \$5,925, and \$6,323, respectively. For fiscal year 2012, 39 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Note 15 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Up to five days of unused vacation may be carried forward to the succeeding fiscal year. Unused vacation in excess of five days cannot be carried forward to the succeeding fiscal year. Teachers do not earn vacation time.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 15 - Other Employee Benefits (Continued)

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 seventy-five days.

B. Health Care Benefits

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

Note 16 - Long-Term Obligations

Changes in the District's long-term obligations during fiscal year 2012 were as follows:

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/12</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Long-Term Obligations					
Land Loan Payable	\$29,437		\$11,441	\$17,996	\$11,883
Bus Loan Payable		\$58,950		58,950	14,008
Total Loans Payable	29,437	58,950	11,441	76,946	25,891
General Obligation Bonds					
FY 2010 School Facilities					
Construction and Improvement					
Bonds					
Serial Bonds 1.25 - 5.625%	2,155,000		150,000	2,005,000	155,000
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	14,069	19,836		33,905	
Premium	126,372		3,063	123,309	
Total General Obligation Bonds	6,328,316	19,836	153,063	6,195,089	155,000
Compensated Absences Payable	530,509	63,823	42,019	552,313	21,949
Total Governmental Activities					
Long-Term Obligations	<u>\$6,888,262</u>	<u>\$142,609</u>	<u>\$206,523</u>	<u>\$6,824,348</u>	<u>\$202,840</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 16 - Long-Term Obligations (Continued)

Land Loan - On October 12, 2010, the District obtained a loan, in the amount of \$35,000, to purchase land. The loan was obtained for a three-year period, with final maturity in fiscal year 2014.

Bus Loan - On June 15, 2012, the District obtained a loan, in the amount of \$58,950, to purchase a bus. The loan was obtained for a four-year period, with final maturity in fiscal year 2016.

FY 2010 School Facilities Construction and Improvement Bonds - On April 13, 2010, the 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, 2012, the District had unspent bond proceeds, in the amount of \$5,681,254.

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.

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:

Year	Amount
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:

Year	Amount
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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 16 - Long-Term Obligations (Continued)

The serial bonds are subject to optional prior redemption, by and at the sole option of the 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 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 2012, \$19,836 was accreted for a total bond value of \$116,780 at fiscal year end.

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

The District's overall debt margin was \$2,203,800 with an unvoted debt margin of \$88,056 at June 30, 2012.

Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2012, were as follows:

Fiscal Year Ending June 30,	Loans Payable		
	Principal	Interest	Total
2013	\$25,891	\$2,518	\$28,409
2014	20,596	1,613	22,209
2015	14,975	1,034	16,009
2016	15,484	525	16,009
Total	\$76,946	\$5,690	\$82,636

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 16 - Long-Term Obligations (Continued)

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2013	\$155,000			\$346,604	\$501,604
2014	155,000			342,922	497,922
2015	160,000			338,272	498,272
2016	60,000		\$35,962	401,710	497,672
2017			46,913	448,359	495,272
2018-2022	875,000			1,568,298	2,443,298
2023-2027	600,000	\$440,000		1,320,582	2,360,582
2028-2032		1,250,000		983,606	2,233,606
2033-2037		1,545,000		545,516	2,090,516
2038-2039		715,000		70,740	785,740
Total	\$2,005,000	\$3,950,000	\$82,875	\$6,366,609	\$12,404,484

Note 17 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 17 - Fund Balance (Continued)

Fund Balance	General	Classroom Facilities	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory			\$900	\$900
Prepaid Items	\$27,762			27,762
Total Nonspendable	27,762		900	28,662
Restricted for:				
Athletics and Music			21,160	21,160
Building Construction		\$6,953,453		6,953,453
Capital Improvements	6,920		82,263	89,183
Debt Retirement			399,587	399,587
Facilities Maintenance			131,339	131,339
Non-Public Schools			20,174	20,174
Regular Instruction			5,708	5,708
Total Restricted	6,920	6,953,453	660,231	7,620,604
Assigned for:				
Extracurricular Activities	10,447			10,447
Special Instruction	2,763			2,763
Unpaid Obligations	112,719			112,719
Total Assigned	125,929			125,929
Unassigned (Deficit)	246,580		(43,777)	202,803
Total Fund Balance	\$407,191	\$6,953,453	\$617,354	\$7,977,998

Note 18 - Set Asides

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. The amount 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. This amount must be carried forward and used for the same purpose in future years. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 18 - Set Asides (Continued)

	Capital Improvements
Balance at June 30, 2011	
Current Year Set Aside Requirement	\$106,873
Current Year Offsets	(106,873)
Balance at June 30, 2012	-----

Note 19 - Interfund Transfers

During fiscal year 2012, the General Fund transferred \$18,136 to other governmental funds to subsidize activities in other funds.

Note 20 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2012, the District paid \$21,538 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 20 - 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 21 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

The 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 Schools 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, and vision insurance benefits to the employees of the participants. Each participants' superintendent is appointed to an Administrative Committee which advises the Consultant, Neace Lukens, 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 Aaron Moore, Neace Lukens, 900 Croghan Street, Fremont, Ohio 43420.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 22 - Contingencies

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Federal CFDA	Receipts	Disbursements
Program Title	Number		
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
National School Lunch Program	10.555		
Cash Assistance		\$86,742	\$86,742
Non-Cash Assistance (Commodities)		10,079	10,079
Total United States Department of Agriculture		96,821	96,821
UNITED STATES DEPARTMENT OF EDUCATION			
Direct Assistance			
Rural Education	84.358	42,032	35,812
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	40,073	54,441
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	125,155	135,710
Special Education - Preschool Grants	84.173	908	985
Total Special Education Cluster:		126,063	136,695
Improving Teacher Quality State Grants	84.367	15,408	18,893
Educational Jobs Grant	84.410	143,319	153,088
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	20,968	26,350
Total United States Department of Education		345,831	389,467
Total Federal Awards Receipts and Expenditures		\$484,684	\$522,100

The accompanying notes are an integral part of this Schedule.

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2013. 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 opinions 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 or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 19, 2013.

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.

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

Dave Yost
Auditor of State

February 19, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 the District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. 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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

In our opinion, Cory-Rawson Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

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 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.

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

Dave Yost
Auditor of State

February 19, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Educational Jobs Grant CFDA #84.410
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2012-001

Noncompliance Citation

Ohio Revised Code, § 5705.41(D)(1), provides in part 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 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.

FINDING NUMBER 2012-001
(Continued)

There are several exceptions to the requirement stated above where 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"), sufficient funds were available or in the process of collections, to the credit of an appropriate fund free from any previous encumbrance, 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 ordinance or resolution. Amounts less than \$3,000 may be paid by the treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided 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 fiscal officer 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.

Fifty-seven percent of the transactions tested were not 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.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the Treasurer should certify the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

The Treasurer should certify the full purchase amounts to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders which include the certification language which Ohio Revised Code Section 5705.41(D) requires for the authorization of disbursements. The Treasurer should sign the certification prior to incurring a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

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

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

CORY-RAWSON LOCAL SCHOOL DISTRICT

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 7, 2013**