



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Independent Auditor's Report | 1 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Fiscal Year Ended June 30, 2014 | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Fiscal Year Ended June 30, 2014 | 4 |
| Notes to the Financial Statements – For the Fiscal Year Ended June 30, 2014 | 5 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Fiscal Year Ended June 30, 2013 | 25 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Fiscal Year Ended June 30, 2013 | 26 |
| Notes to the Financial Statements – For the Fiscal Year Ended June 30, 2013 | 27 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 47 |
| Schedule of Findings..... | 49 |
| Schedule of Prior Audit Findings..... | 52 |

This page is intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of Cory-Rawson Local School District, Hancock County, Ohio (the District), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 2 of the financial statements, the District for fiscal years 2014 and 2013 prepared the financial statements using cash accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material. In addition, for fiscal year 2014 and 2013, the District failed to present the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* as mandated by Auditor of State Bulletin 2011-004 for regulatory financial statements

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of Cory-Rawson Local School District as of and for the years ended June 30, 2014 and 2013 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The District also has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

March 25, 2015

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|------------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash receipts: | | | | | |
| Property tax and other local taxes | \$2,040,491 | \$37,153 | \$428,478 | \$77,525 | \$2,583,647 |
| Income tax | 1,740,138 | | | | 1,740,138 |
| Intergovernmental | 3,172,986 | 346,710 | 108,669 | 55,062 | 3,683,427 |
| Tuition | 531,474 | | | | 531,474 |
| Earnings on investments | 1,211 | 1 | | 2,985 | 4,197 |
| Extracurricular Activities | | 138,083 | | | 138,083 |
| Classroom Materials and Fees | 23,077 | | | | 23,077 |
| Miscellaneous | 43,151 | 42,432 | | 19,976 | 105,559 |
| Total cash receipts | <u>7,552,528</u> | <u>564,379</u> | <u>537,147</u> | <u>155,548</u> | <u>8,809,602</u> |
| Cash disbursements: | | | | | |
| Instruction: | | | | | |
| Regular | 3,120,174 | 106,353 | | 162,811 | 3,389,338 |
| Special | 418,272 | 189,787 | | | 608,059 |
| Vocational Education | 319,529 | 61 | | | 319,590 |
| Other Instruction | 208,773 | | | | 208,773 |
| Supporting Services: | | | | | |
| Pupils | 202,677 | | | | 202,677 |
| Instructional Staff | 105,126 | | | | 105,126 |
| Board of Education | 58,715 | | | 247 | 58,962 |
| Administration | 956,471 | 54,080 | | | 1,010,551 |
| Fiscal Services | 193,703 | 658 | 7,181 | 1,484 | 203,026 |
| Operation and Maintenance of Plant | 643,752 | 9,934 | | 16,659 | 670,345 |
| Pupil Transportation | 378,514 | | | | 378,514 |
| Central | 3,000 | 5,880 | | | 8,880 |
| Community Auxiliary Services | | 1,499 | | | 1,499 |
| Non-Instructional Services | | 1,485 | | | 1,485 |
| Extracurricular Activities | 169,078 | 134,762 | | | 303,840 |
| Facilities Acquisition and Construction | | | | 821,854 | 821,854 |
| Debt Service: | | | | | |
| Principal Retirement | | | 175,592 | | 175,592 |
| Interest and Fiscal Charges | | | 344,536 | | 344,536 |
| Issuance Cost | | | 132,995 | | 132,995 |
| Total cash disbursements | <u>6,777,784</u> | <u>504,499</u> | <u>660,304</u> | <u>1,003,055</u> | <u>8,945,642</u> |
| Total cash receipts over/(under) cash disbursements | <u>774,744</u> | <u>59,880</u> | <u>(123,157)</u> | <u>(847,507)</u> | <u>(136,040)</u> |
| Other financing receipts/disbursements: | | | | | |
| General Obligation Bond Issued | | | 5,644,997 | | 5,644,997 |
| Payment to refunded bond escrow agent | | | (5,816,815) | | (5,816,815) |
| Premium on bonds issued | | | 304,813 | | 304,813 |
| Refund prior year expenditures | 20,801 | | | | 20,801 |
| Transfers-In | | 1,500 | | | 1,500 |
| Transfers-Out | (5,500) | | | | (5,500) |
| Advances-In | | 1,935 | | | 1,935 |
| Advances-Out | (1,935) | | | | (1,935) |
| Total other financing receipts/(disbursements) | <u>13,366</u> | <u>3,435</u> | <u>132,995</u> | | <u>149,796</u> |
| Net change in fund cash balances | 788,110 | 63,315 | 9,838 | (847,507) | 13,756 |
| Fund cash balances, July 1 | 826,167 | 207,953 | 368,986 | 1,471,412 | 2,874,518 |
| Fund cash balances, June 30 | <u>\$1,614,277</u> | <u>\$271,268</u> | <u>\$378,824</u> | <u>\$623,905</u> | <u>\$2,888,274</u> |
| Reserves for encumbrances, June 30 | <u>\$120,914</u> | <u>\$32,933</u> | | <u>\$327,919</u> | <u>\$481,766</u> |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Proprietary Fund Type | Fiduciary Fund Type | | Totals (Memorandum Only) |
|---|--------------------------|--------------------------|-----------------|--------------------------------|
| | Enterprise | Private Purpose Trust | Agency | |
| Operating cash receipts: | | | | |
| Food Services | \$117,219 | | | \$117,219 |
| Extracurricular Activities | | | \$60,823 | 60,823 |
| Charges for Services | | | 29,069 | 29,069 |
| Total operating cash receipts | 117,219 | | 89,892 | 207,111 |
| Operating cash disbursements: | | | | |
| Personal Services | 60,863 | | | 60,863 |
| Employees Retirement and Insurance | 11,237 | | | 11,237 |
| Supplies and Materials | 114,821 | | | 114,821 |
| Capital Outlay | 383 | | | 383 |
| Other Operating Expenses | | | 93,751 | 93,751 |
| Total operating cash disbursements | 187,304 | | 93,751 | 281,055 |
| Operating loss | (70,085) | | (3,859) | (73,944) |
| Non-operating cash receipts: | | | | |
| Intergovernmental receipts | 111,063 | | | 111,063 |
| Income/(Loss) before Transfers | 40,978 | | (3,859) | 37,119 |
| Transfers-In | | | 4,000 | 4,000 |
| Net change in fund cash balances | 40,978 | | 141 | 41,119 |
| Fund cash balances, July 1 | 21,885 | \$5,925 | 28,345 | 56,155 |
| Fund cash balances, June 30 | \$62,863 | \$5,925 | \$28,486 | \$97,274 |
| Reserve for encumbrances, June 30 | | | \$6,544 | \$6,544 |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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 563th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-six classified employees, forty-six certified teaching personnel, and five administrative employees who provide services to 639 students and other community members. The District currently operates one instructional building.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

For fiscal year 2014 the District did not modify its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type classifications. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School District's reporting entity includes the following:

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

The District participates in four jointly governed organizations and three public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities, nor are these entities fiscally dependent on the District. Notes 8 and 14 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Millstream Cooperative Career and Technology Center
Northwestern Ohio Educational Research Council, Inc.
Hancock County Local Professional Development Committee

Public Entity Risk Pools:

Schools of Ohio Risk Sharing Authority
Hancock County Schools Health Benefit Fund
Optimal Health Initiative Workers' Compensation Group Rating Plan

B. Fund Accounting

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

General Fund – The General Fund is the operating fund of the District and 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.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund – This fund is used for the accumulation of resources for, and the payment of general obligation long-term debt principal and interest.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Projects Funds – The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUND TYPE

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

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

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include agency and trust funds.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. 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 cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is included in the cash balances reported by fund type.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2014, the District invested in nonnegotiable certificates of deposit, repurchase agreements, mutual funds and STAR Ohio. Nonnegotiable certificates of deposits, mutual funds and repurchase agreements are reported at cost. 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, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2014 was \$1,211 which included \$361 assigned from other District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District reported no restricted assets.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The District's cash basis does not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure is reported at inception.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

N. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total- (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 – COMPLIANCE

Ohio Administrative Code §117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 – DEPOSITS

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 4 – DEPOSITS (CONTINUED)

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

Interim 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 may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio);
8. 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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2014, \$484,875 of the District's bank balance of \$911,081 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 4 – DEPOSITS (CONTINUED)

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

Investments

As of June 30, 2104, the District had the following investments:

| | Fair Value | Maturity |
|-----------------------|-------------|-------------------|
| Repurchase Agreements | \$1,712,029 | July 1, 2014 |
| Mutual Funds | 413,031 | Average 44.4 days |
| STAR Ohio | 36,242 | Average 46.5 days |
| Total Investments | \$2,161,302 | |

The securities underlying the repurchase agreement (Government National Mortgage Association Notes) and the mutual funds carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAA by Standards and Poor's. The District has no investment s 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.

NOTE 5 – BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2014 follows:

| 2014 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$6,940,137 | \$7,573,329 | \$633,192 |
| Special Revenue | 594,175 | 565,879 | (28,296) |
| Debt Service | 573,029 | 6,486,957 | 5,913,928 |
| Capital Projects | 208,512 | 155,548 | (52,964) |
| Permanent Fund | 300 | | (300) |
| Enterprise | 235,000 | 228,282 | (6,718) |
| Total | \$8,551,153 | \$15,009,995 | \$6,458,842 |

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 5 – BUDGETARY ACTIVITY (CONTINUED)

| 2014 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|---------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$6,668,950 | \$6,904,198 | (\$235,248) |
| Special Revenue | 837,150 | 537,432 | 299,718 |
| Debt Service | 896,221 | 6,477,119 | (5,580,898) |
| Capital Projects | 1,286,064 | 1,330,974 | (44,910) |
| Permanent Fund | 9,800 | | 9,800 |
| Enterprise | 235,000 | 187,304 | 47,696 |
| Total | \$9,933,185 | \$15,437,027 | (\$5,503,842) |

Contrary to Ohio Revised Code § 5705.39 the legally adopted appropriations exceeded estimated resources in nine of the District fund's by amounts ranging from \$48 to \$29,658. Also, contrary to Ohio Revised Code § 5705.41(B) budgetary expenditures exceeded appropriations in the General, Debt Service and Permanent Improvement Funds by \$235,248, \$5,580,898, and \$101,986 respectively.

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2014 represent the collection of calendar years 2013 taxes. Real property taxes received in calendar years 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, respectively, 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 receipts received in calendar years 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2012, were levied after April 1, 2013, 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 counties by June 30, 2014 are available to finance fiscal year 2014 operations, respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 6 – PROPERTY TAXES (CONTINUED)

The assessed values upon which fiscal year 2014 taxes were collected are:

| | 2013 Second- Half Collections | | 2014 First- Half Collections | |
|---|----------------------------------|---------|---------------------------------|---------|
| | Amount | Percent | Amount | Percent |
| Real Property: | | | | |
| Agricultural/Residential | \$78,980,320 | 85.55% | \$106,595,760 | 87.83% |
| Industrial/Commercial | 9,478,480 | 10.29% | 11,227,290 | 9.25% |
| Public Utility Property | 3,835,450 | 4.16% | 3,542,060 | 2.92% |
| Total Assessed Value | \$92,094,250 | 100% | \$121,365,110 | 100% |
| Tax rate per \$1,000 of assessed valuation | \$38.60 | | \$32.67 | |

NOTE 7 – INCOME TAXES

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992 and is a continuing tax. The District has also voted a tax of three quarters of one percent for general operations on the income of residents and of estate, effective on January 1, 2004, for a period of five years. This income tax was renewed for five years effective January 1, 2009, and renewed for an additional five years beginning January 1, 2014. 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 receipts are recorded in the General Fund.

NOTE 8 – RISK MANAGEMENT

A. Schools of Ohio Risk Sharing Authority

The District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. During fiscal year 2014, the District contracted for the following insurance coverage.

Coverage provided through the Schools of Ohio Risk Sharing Authority (SORSA) is as follows:

| | <u>Coverage</u> |
|----------------------|-----------------|
| Building and Content | \$37,337,711 |
| Automobile Liability | 15,000,000 |
| General Liability | |
| Per occurrence | 15,000,000 |
| Total per year | 15,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years.

SORSA financial statements are available by contacting Patrick Shaver, Schools of Ohio Risk Sharing Authority, 8050 North High St, Columbus, Ohio 43235.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 8 – RISK MANAGEMENT (CONTINUED)

B. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The School District participates in the Northern Buckeye Education Council 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 participant's 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.

C. Hancock County Schools Health Benefit Fund

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.

NOTE 9 - 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 plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan 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 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

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 established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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 \$358,419 and \$3,166 for the fiscal year ended June 30, 2014. \$346,818 and \$243 for the fiscal year ended June 30, 2013, and \$357,893 and \$10 for the fiscal year ended June 30, 2012. For fiscal year 2014, 90 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2013 and 2012.

There were no contributions to STRS Ohio for the DCP. In addition, member contributions of \$282 were made for fiscal year 2014 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

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, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 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, 2014, 2013, and 2012 was \$92,338, \$88,162, and \$102,076 respectively. For fiscal year 2014, 50 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health 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 the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$27,814, \$27,156, and \$27,536, respectively; 90 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current 1 percent allocation to the Health Care Plan effective July 1, 2014.

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 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 2014, 14 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 2014, this amount was \$20,250 For fiscal year 2014, the District paid \$12,757 in surcharge.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

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 contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$987, \$1,077, and \$4,421 respectively; 86 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2011 was \$5,357, \$4,980 and \$6,028, respectively; 50 percent has been contributed for fiscal year 2012 and 100 percent for fiscal year 2013 and 2012.

NOTE 11 – DEBT

Changes to the School District's debt obligations during fiscal year 2014 were as follows:

| | Balance at 6/30/13 | Additions | Reductions | Balance at 6/30/14 |
|---|-----------------------|--------------------|--------------------|-----------------------|
| Loans: | | | | |
| Land | \$6,109 | | \$6,109 | |
| Bus | 44,942 | | 14,483 | 30,459 |
| Total Loans | 51,051 | | 20,592 | 30,459 |
| General Obligation Bonds: | | | | |
| FY2010 School Facilities Construction and Improvement Bonds | | | | |
| Serial Bonds 1.25-5.25% | 1,850,000 | | 1,850,000 | |
| 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 | 57,801 | 28,785 | 86,586 | |
| FY2014 School Improvement Refunding: | | | | |
| Serial Bonds 1-3% | | 1,400,000 | | 1,400,000 |
| Term Bonds 3.75-4.25% | | 3,735,000 | | 3,735,000 |
| Capital Appreciation Bonds 5.2135% | | 509,997 | | 509,997 |
| Total General Obligation Bonds | 5,940,676 | 5,673,782 | 5,969,461 | 5,644,997 |
| Total Debt | <u>\$5,991,727</u> | <u>\$5,673,782</u> | <u>\$5,990,053</u> | <u>\$5,675,456</u> |

Bus Loan-

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 11 – DEBT (CONTINUED)

FY2010 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 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 were to be retired through the Bond Retirement debt service fund.

FY2014 School Improvement Refunding-

On June 18, 2014, the District refunded the originally issued debt and replaced it with new debt, in the amount of \$5,644,997. The bond issue included serial, capital appreciation, and term bonds in the amount of \$1,400,000, 509,997, and \$3,735,000 respectively. The refunding of debt will save the District \$264,626 and resulted in an economic gain of \$444,764. At June 30, 2014, all of the refunded bonds were still outstanding. On July 18, 2014, the District exercised its option to call the bonds.

The serial bonds shall bear interest at the rates per year and will mature on December 1 of each year, as shown below:

\$1,400,000 Serial Bonds

| Year | Principal Amount Maturing | Interest Rate per Annum | Year | Principal Amount Maturing | Interest Rate per Annum |
|------|------------------------------|----------------------------|------|------------------------------|----------------------------|
| 2014 | \$10,000 | 1.000% | 2018 | \$240,000 | 2.000% |
| 2015 | 235,000 | 1.500% | 2022 | 230,000 | 2.250% |
| 2016 | 135,000 | 2.000% | 2023 | 240,000 | 2.375% |
| 2017 | 75,000 | 2.000% | 2024 | 235,000 | 3.000% |

The term bonds maturing on December 1, 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 December 1 in the year and the respective principal amounts as follows:

| Year | Amount |
|------|-----------|
| 2025 | \$230,000 |
| 2026 | 240,000 |
| 2027 | 245,000 |

The remaining principal, in the amount of \$250,000, will be paid at stated maturity on December 1, 2028.

The term bonds maturing on December 1, 2030, 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 December 1 in the year and the respective principal amounts as follows:

| Year | Amount |
|------|-----------|
| 2029 | \$255,000 |

The remaining principal, in the amount of \$260,000, will be paid at stated maturity on December 1, 2030.

The term bonds maturing on December 1, 2032, 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 December 1 in the year and the respective principal amounts as follows:

| Year | Amount |
|------|-----------|
| 2031 | \$265,000 |

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 11 – DEBT (CONTINUED)

The remaining principal, in the amount of \$270,000, will be paid at stated maturity on December 1, 2032.

The term bonds maturing on December 1, 2034, 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 December 1 in the year and the respective principal amounts as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2033 | \$275,000 |

The remaining principal, in the amount of \$280,000, will be paid at stated maturity on December 1, 2034.

The term bonds maturing on December 1, 2036, 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 December 1 in the year and the respective principal amounts as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2035 | \$285,000 |

The remaining principal, in the amount of \$290,000, will be paid at stated maturity on December 1, 2036.

The term bonds maturing on December 1, 2038, 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 December 1 in the year and the respective principal amounts as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2037 | \$295,000 |

The remaining principal, in the amount of \$295,000, will be paid at stated maturity on December 1, 2038.

The capital appreciation bonds were issued in the aggregate original principal amount of \$509,997 and mature on December 1 of each year, have the original principal amounts and mature with the accreted values at maturity as follows:

| <u>Year</u> | <u>Original Principal Amount</u> | <u>Maturity Amount</u> |
|-------------|--------------------------------------|----------------------------|
| 2010 | \$181,272 | \$240,000 |
| 2020 | 168,591 | 235,000 |
| 2021 | 160,134 | 235,000 |

At June 30, 2014, the total amount of these bonds including accretion was \$5,644,997. The bonds are being retired through the Bond Retirement Debt Service Fund. Principal and interest requirements to retire general obligation debt outstanding at June 30, 2014, are as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 11 – DEBT (CONTINUED)

| Year Ended | General Obligation Bonds | | | Capital Appreciation Bonds | | |
|------------|--------------------------|--------------------|--------------------|----------------------------|------------------|--------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | \$10,000 | \$173,820 | \$183,820 | | | |
| 2016 | 235,000 | 180,625 | 415,625 | | | |
| 2017 | 135,000 | 177,513 | 312,513 | | | |
| 2018 | 75,000 | 175,413 | 250,413 | | | |
| 2019 | 240,000 | 172,263 | 412,263 | | | |
| 2020-2024 | 470,000 | 329,113 | 799,113 | \$509,997 | \$709,594 | \$1,219,591 |
| 2025-2029 | 1,200,000 | 687,315 | 1,887,315 | | | |
| 2030-2034 | 1,325,000 | 428,032 | 1,753,032 | | | |
| 2035-2039 | 1,445,000 | 140,550 | 1,585,550 | | | |
| Total | <u>\$5,135,000</u> | <u>\$2,464,644</u> | <u>\$7,599,644</u> | <u>\$509,997</u> | <u>\$709,594</u> | <u>\$1,219,591</u> |

| Year Ended | Loans | | |
|------------|-----------------|----------------|-----------------|
| | Principal | Interest | Total |
| 2015 | \$14,975 | \$1,034 | \$16,009 |
| 2016 | 15,484 | 525 | 16,009 |
| Total | <u>\$30,459</u> | <u>\$1,559</u> | <u>\$32,018</u> |

The District had a voted debt margin of \$5,307,443 and an unvoted debt margin of \$117,823.

NOTE 12 – SET ASIDE REQUIREMENTS

The District is required by State statute to annually set aside, in the General Fund, an account based on 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 yearend. This amount must be carried forward and used for the same purpose in future years.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2014.

| | <u>Capital Improvements</u> |
|------------------------------------|---------------------------------|
| Balance at June 30, 2013 | \$0 |
| Current Year Set Aside Requirement | 100,558 |
| Current Year Offsets | <u>(100,558)</u> |
| Balance at June 30, 2014 | <u>\$0</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 13-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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

B. Litigation

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

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert counties, and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. During fiscal year 2014 the District paid \$17,353 to NOACSC for various services. Financial information can be obtained from Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

B. Millstream Career and Technology Center

The Millstream Career and Technology Center is a distinct political subdivision of the State of Ohio established under Section 3313.90. The Technology Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Putnam and Hancock Counties Educational Service Centers serve in an ex-officio capacity for all meetings. To obtain financial information write to the Findlay City School District, Michael Barnhart, Treasurer, at 1100 Broad Avenue, Findlay, Ohio 45840.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

C. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representative from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Oio Educational Research Council, Inc., 441 East Market Street Celina, Ohio 45822.

D. Hancock County Local Professional Development Committee

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

NOTE 15 – INSURANCE POOLS

A. School 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 affairs are conducted by a board consisting of nine superintendents, treasurers and business managers. Willis Pooling is contracted to provide reinsurance brokerage, underwriting, rating, billing, consulting services and establishing agreements between SORSA and its members. Financial information can be obtained by contacting the SORSA Executive Director at 8050 North High Street, Columbus, Oho 43235-6483.

B. Hancock County Schools Health Benefit Fund

The Hancock County Schools Health Fund (Fund) is a public entity shared risk pool consisting of seven local 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 participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Hylant Group, concerning aspects of the administration of the Fund.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 15 – INSURANCE POOLS (CONTINUED)

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 may be obtained from Hylant Group, 811 Madison Avenue, Toledo, Ohio 43604.

C. Northern Buckeye Education Council 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 plan is offered by the Northern Buckeye Education Council (NBEC), and Sheakley UniServices, Inc. is the Third Party Administrator. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

THIS PAGE INTENTIONALLY LEFT BLANK.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|------------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash receipts: | | | | | |
| Property tax and other local taxes | \$1,750,904 | \$37,078 | \$374,247 | \$71,333 | \$2,233,562 |
| Income tax | 1,458,359 | | | | 1,458,359 |
| Intergovernmental | 3,040,280 | 375,273 | 157,335 | 1,159,373 | 4,732,261 |
| Tuition | 499,479 | | | | 499,479 |
| Earnings on investments | 855 | | | 12,071 | 12,926 |
| Extracurricular Activities | | 141,426 | | | 141,426 |
| Classroom Materials and Fees | 28,883 | | | | 28,883 |
| Miscellaneous | 53,785 | 38,325 | | 5,482 | 97,592 |
| Total cash receipts | <u>6,832,545</u> | <u>592,102</u> | <u>531,582</u> | <u>1,248,259</u> | <u>9,204,488</u> |
| Cash disbursements: | | | | | |
| Instruction: | | | | | |
| Regular | 2,922,660 | 151,904 | | 530,991 | 3,605,555 |
| Special | 417,037 | 192,164 | | | 609,201 |
| Vocational Education | 248,445 | 939 | | | 249,384 |
| Other Instruction | 179,703 | | | | 179,703 |
| Supporting Services: | | | | | |
| Pupils | 255,334 | | | | 255,334 |
| Instructional Staff | 298,222 | | | | 298,222 |
| Board of Education | 26,928 | | | 29,417 | 56,345 |
| Administration | 889,485 | 58,741 | | | 948,226 |
| Fiscal Services | 228,152 | 766 | 7,169 | 1,728 | 237,815 |
| Operation and Maintenance of Plant | 625,711 | 10,977 | | 78,766 | 715,454 |
| Pupil Transportation | 392,020 | | | 5,000 | 397,020 |
| Central | 7,889 | | | | 7,889 |
| Community Auxiliary Services | | 1,590 | | | 1,590 |
| Extracurricular Activities | 161,601 | 126,588 | | | 288,189 |
| Facilities Acquisition and Construction | | | | 7,181,470 | 7,181,470 |
| Debt Service: | | | | | |
| Principal Retirement | | | 180,892 | | 180,892 |
| Interest and Fiscal Charges | | | 349,122 | | 349,122 |
| Total cash disbursements | <u>6,653,187</u> | <u>543,669</u> | <u>537,183</u> | <u>7,827,372</u> | <u>15,561,411</u> |
| Total cash receipts over/(under) cash disbursements | <u>179,358</u> | <u>48,433</u> | <u>(5,601)</u> | <u>(6,579,113)</u> | <u>(6,356,923)</u> |
| Other financing receipts/disbursements: | | | | | |
| Proceeds from Sale of Capital Assets | 30,030 | | | | 30,030 |
| Refund prior year expenditures | 1,286 | | | | 1,286 |
| Transfers-In | | 3,500 | | | 3,500 |
| Transfers-Out | (29,600) | (757) | | | (30,357) |
| Advances-In | 43,236 | 2,938 | | | 46,174 |
| Advances-Out | (6,927) | (37,980) | | | (44,907) |
| Total other financing receipts/(disbursements) | <u>38,025</u> | <u>(32,299)</u> | | | <u>5,726</u> |
| Net change in fund cash balances | 217,383 | 16,134 | (5,601) | (6,579,113) | (6,351,197) |
| Fund cash balances, July 1 (Restated) | 608,784 | 191,819 | 374,587 | 8,050,525 | 9,225,715 |
| Fund cash balances, June 30 | <u>\$826,167</u> | <u>\$207,953</u> | <u>\$368,986</u> | <u>\$1,471,412</u> | <u>\$2,874,518</u> |
| Reserves for encumbrances, June 30 | <u>\$80,715</u> | <u>\$23,613</u> | | <u>\$795,878</u> | <u>\$900,206</u> |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | Proprietary Fund Type | Fiduciary Fund Type | | Totals (Memorandum Only) |
|--|--------------------------|-------------------------|-----------------|--------------------------------|
| | Enterprise | Non-Expendable Trust | Agency | |
| | <u>Enterprise</u> | <u>Trust</u> | <u>Agency</u> | <u>Only</u> |
| Operating cash receipts: | | | | |
| Food Services | \$115,708 | | | \$115,708 |
| Extracurricular Activities | | | \$62,036 | 62,036 |
| Charges for Services | | | 9,127 | 9,127 |
| Total operating cash receipts | <u>115,708</u> | | <u>71,163</u> | <u>186,871</u> |
| Operating cash disbursements: | | | | |
| Personal Services | 67,666 | | | 67,666 |
| Employees Retirement and Insurance | 36,313 | | | 36,313 |
| Purchased Services | 251 | | | 251 |
| Supplies and Materials | 101,113 | | | 101,113 |
| Other Operating Expenses | | | 74,757 | 74,757 |
| Total operating cash disbursements | <u>205,343</u> | | <u>74,757</u> | <u>280,100</u> |
| Operating loss | <u>(89,635)</u> | | <u>(3,594)</u> | <u>(93,229)</u> |
| Non-operating cash receipts: | | | | |
| Intergovernmental receipts | <u>90,488</u> | | | <u>90,488</u> |
| Non-operating cash disbursements: | | | | |
| Payments in accordance with trust agreements | | <u>\$1,421</u> | | <u>1,421</u> |
| Income/(Loss) before Transfers | 853 | (1,421) | (3,594) | (4,162) |
| Transfers-In | 20,226 | | 6,631 | 26,857 |
| Advances-In | 632 | | 3,631 | 4,263 |
| Advances-Out | | | (5,530) | (5,530) |
| Net change in fund cash balances | 21,711 | (1,421) | 1,138 | 21,428 |
| Fund cash balances, July 1 (Restated) | <u>174</u> | <u>7,346</u> | <u>27,207</u> | <u>34,727</u> |
| Fund cash balances, June 30 | <u>\$21,885</u> | <u>\$5,925</u> | <u>\$28,345</u> | <u>\$56,155</u> |
| Reserve for encumbrances, June 30 | | | <u>\$16,483</u> | <u>\$16,483</u> |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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 563rd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by twenty-six classified employees, forty-four certified teaching personnel, and five administrative employees who provide services to 639 students and other community members. The District currently operates one instructional building.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

For fiscal year 2013 the District did not modify its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type classifications. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District's reporting entity includes the following:

Trinity Evangelical Lutheran Schools – 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 public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities, nor are these entities fiscally dependent on the District. Notes 9, 16 and 17 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative;
Millstream Cooperative Career and Technology Center;
Northwestern Ohio Educational Research Council, Inc.
Hancock County Local Professional Development Committee

Public Entity Risk Pools:

Schools of Ohio Risk Sharing Authority
Hancock County Schools Health Benefit Fund
Northern Buckeye Education Council Workers' Compensation Group Rating Plan

B. Fund Accounting

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

General Fund – The General Fund is the operating fund of the District and 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.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund – This fund is used for the accumulation of resources for, and the payment of general obligation long-term debt principal and interest.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Projects Funds – The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUND TYPE

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

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

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include agency and trust funds.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. 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 cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is included in the cash balances reported by fund type.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2013, investments included nonnegotiable certificates of deposit, repurchase agreements, mutual funds, and STAR Ohio. Nonnegotiable certificates of deposit and repurchase and mutual funds agreements are reported at cost. 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, 2013.

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 2013 was \$855, which includes \$314 assigned from other District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District reported no restricted assets.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The District's cash basis does not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure is reported at inception.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

N. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total- (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund –type eliminations have not been made in the aggregation of this data.

NOTE 3 – COMPLIANCE

Ohio Administrative Code §117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCE

During 2013, the District changed from a generally accepted basis of accounting to the cash basis of accounting (see Note 2.A). The fund balances for June 30, 2012 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

**NOTE 4 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCE
(Continued)**

| | Government- Wide | General | Classroom Facilities | Other Governmental Funds | Special Revenue |
|---|-----------------------------|-----------------------------|---------------------------------|---|--------------------------------------|
| Net Assets/Fund Balance - June 30, 2012 | \$ 9,783,831 | \$ 407,191 | \$ 6,953,453 | \$ 617,354 | - |
| Change in Reporting Basis Adjustments | (9,783,831) | 201,593 | (6,953,453) | (617,354) | 191,819 |
| Restated Fund Balance - June 30, 2012 | | \$ 608,784 | | | \$ 191,819 |
| | | | | | Private Purpose Trust |
| | Debt Service | Capital Projects | Enterprise Funds | Agency Funds | |
| Net Assets/Fund Balance - June 30, 2012 | | | | | \$ 7,834 |
| Change in Reporting Basis Adjustments | 374,587 | 8,050,525 | 174 | 27,207 | (488) |
| Restated Fund Balance - June 30, 2012 | \$ 374,587 | \$8,050,525 | \$ 174 | \$ 27,207 | \$ 7,346 |

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;
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;

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$484,275 of the District's bank balance of \$1,582,342 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2013, the District had the following investments:

| | Fair Value | Maturity |
|-----------------------|-------------|--------------------|
| Repurchase Agreements | \$1,135,352 | July 1, 2013 |
| Mutual Funds | 319,859 | average 40.63 days |
| STAR Ohio | 36,234 | average 57.5 days |
| Total Investments | \$1,491,445 | |

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 5 – DEPOSITS AND INVESTMENTS

The securities underlying the repurchase agreement (Government National Mortgage Association Notes) and the mutual funds carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAA by Standards and Poor's. The 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.

NOTE 6 – BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2013 follows:

| 2013 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 6,413,767 | \$ 6,863,861 | \$450,094 |
| Special Revenue | 602,152 | 595,602 | (6,550) |
| Debt Service | 526,734 | 531,582 | 4,848 |
| Capital Projects | 1,310,676 | 1,248,259 | (62,417) |
| Enterprise | 235,000 | 226,422 | (8,578) |
| Fiduciary | 300 | | (300) |
| Total | \$9,088,629 | \$9,465,726 | \$377,097 |

| 2013 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$6,613,300 | \$6,763,502 | (\$150,202) |
| Special Revenue | 612,751 | 568,039 | 44,712 |
| Debt Service | 538,314 | 537,183 | 1,131 |
| Capital Projects | 13,344,180 | 8,623,250 | 4,720,930 |
| Enterprise | 235,174 | 205,343 | 29,831 |
| Fiduciary | 1,521 | 1,421 | 100 |
| Total | \$21,345,240 | \$16,698,738 | \$4,646,502 |

Contrary to Ohio Revised Code § 5705.39 the legally adopted appropriations exceeded estimated resources in the Title II and Classroom Facilities Funds by \$879 and \$3,984,957 respectively. Also, contrary to Ohio Revised Code § 5705.41(B) budgetary expenditures exceeded appropriations in the General and Auxiliary Service Funds by \$150,202 and \$10,174 respectively.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 7 – 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 property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 receipts received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2011, were levied after April 1, 2012, 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 Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013 are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2013 taxes were collected are:

| | <u>2012 First- Half Collections</u> | | <u>2013 First- Half Collections</u> | |
|--|---|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential | \$78,562,870 | 85.92% | \$78,780,320 | 85.55% |
| Industrial/Commercial | 9,374,700 | 10.25 | 9,478,480 | 10.29 |
| Public Utility | <u>3,500,490</u> | <u>3.83</u> | <u>3,835,450</u> | <u>4.16</u> |
| Total Assessed Value | <u>\$91,438,060</u> | <u>100.00%</u> | <u>\$92,094,250</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$38.79 | | \$38.60 | |

NOTE 8 – 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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 9 – 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 2013, 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 | 23,793,257 |

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 2013, 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.

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 Northern Buckeye Education Council 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 10 – 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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 10 – 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. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, 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 \$346,818 and \$243 for the fiscal year ended June 30, 2013, \$357,893 and \$10 for the fiscal year ended June 30, 2012, and \$358,303 for the fiscal year ended June 30, 2011. For fiscal year 2013, 83 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 was \$5,967 made by the District and \$4,262 made by the plan members. In addition, member contributions of \$174 were made for fiscal year 2013 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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 10 – 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, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining .9 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, 2013, 2012, and 2011 was \$88,162, \$102,076, and \$92,073, respectively. For fiscal year 2013, 37 percent has been contributed for FY 2013. The full amount has been contributed for fiscal years 2012 and 2011.

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, 2013, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 – POST EMPLOYMENT 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. Ohio law authorizes STRS Ohio to offer the Plan. 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 2013, 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, 2013, 2012, and 2011 was \$27,156, \$27,536, and \$27,575, respectively. For fiscal year 2013, 83 percent has been contributed for FY 2013. The full amount has been contributed for fiscal years 2012 and 2011.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 11 – POST EMPLOYMENT 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 2013, .16 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 2013, this amount was \$20,525. For fiscal year 2013, the District paid \$13,599 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, 2013, 2012, and 2011 was \$1,077, \$4,421, and \$11,149, respectively. For fiscal year 2013, 37 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

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 2013, this actuarially required allocation was .74 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$4,980, \$6,028, and \$5,925, respectively. For fiscal year 2013, 37 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 12 – DEBT

The changes in the District’s debt obligations during the year were as follows:

| | <u>Balance at 6/30/12</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at 6/30/13</u> |
|-------------------------------------|-------------------------------|------------------|-------------------|-------------------------------|
| Loans: | | | | |
| Land Loan | \$17,993 | | \$11,884 | \$6,109 |
| Bus Loan | 58,950 | | 14,008 | 44,942 |
| Total Loans | <u>76,943</u> | | <u>25,892</u> | <u>51,051</u> |
| General Obligation Bonds | | | | |
| FY 2010 School Facilities | | | | |
| Construction and Improvement Bonds | | | | |
| Serial Bonds 1.25 - 5.625% | 2,005,000 | | 155,000 | 1,850,000 |
| 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 | <u>33,905</u> | <u>\$23,896</u> | | <u>57,801</u> |
| Total General Obligation Bonds | <u>6,071,780</u> | <u>23,896</u> | <u>155,000</u> | <u>5,940,676</u> |
| Total Debt | <u>\$6,148,723</u> | <u>\$23,896</u> | <u>\$180,892</u> | <u>\$5,991,727</u> |

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, 2013, the District had unspent bond proceeds, in the amount of \$436,515.

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:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2026 | \$215,000 |
| 2027 | 225,000 |

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

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 12 – DEBT (CONTINUED)

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

| 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.

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 2013, \$23,896 was accreted for a total bond value of \$140,676 at fiscal year end.

The District's overall debt margin was \$2,390,495 with an unvoted debt margin of \$88,394 at June 30, 2013.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 12 – DEBT (COTINUED)

Principal and interest requirements to retire the debt obligations outstanding at June 30, 2013, were as follows:

| Fiscal Year Ending June 30, | Loans Payable | | |
|--------------------------------|---------------|----------|----------|
| | Principal | Interest | Total |
| 2014 | \$20,595 | \$1,614 | \$22,209 |
| 2015 | 14,975 | 1,034 | 16,009 |
| 2016 | 15,484 | 525 | 16,009 |
| Total | \$51,054 | \$3,173 | \$54,227 |

| Fiscal Year Ending June 30, | General Obligation Bonds | | | | |
|--------------------------------|--------------------------|-------------|-------------------------|-------------|--------------|
| | Serial | Term | Capital Appreciation | Interest | Total |
| 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 | 165,000 | | | 330,272 | 495,272 |
| 2019-2023 | 910,000 | | | 1,524,444 | 2,434,444 |
| 2024-2028 | 400,000 | \$670,000 | | 1,260,962 | 2,330,962 |
| 2029-2033 | | 1,305,000 | | 904,410 | 2,209,410 |
| 2034-2038 | | 1,610,000 | | 444,746 | 2,054,746 |
| 2039 | | 365,000 | | 23,908 | 388,908 |
| Total | \$1,850,000 | \$3,950,000 | \$82,875 | \$6,020,005 | \$11,902,880 |

NOTE 13 – SET ASIDE REQUIREMENTS

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.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 13 – SET ASIDE REQUIREMENTS

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2013.

| | <u>Capital Improvements</u> |
|------------------------------------|---------------------------------|
| Balance at June 30, 2012 | |
| Current Year Set Aside Requirement | \$103,633 |
| Current Year Offsets | <u>\$(103,633)</u> |
| Balance at June 30, 2013 | <u> </u> |

NOTE 14 – INTERFUND TRANSFERS/ADVANCES

During fiscal year 2013, the General Fund transferred \$29,600 to other District funds to subsidize activities in the other funds. The General Fund also advanced \$6,927 to other District funds and received repayment of current and prior advances totaling \$43,236 in fiscal year 2013.

NOTE 15 – 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

B. Litigation

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

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood 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 2013, the District paid \$16,477 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.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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 District. The Superintendents 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, 1100 Broad Avenue, Findlay Ohio 45840.

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.

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., 441 East Market Street, Celina, Ohio, 45822.

NOTE 17 – 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, treasurers, and business managers. Willis Pooling is contracted to provide reinsurance brokerage, underwriting, rating, billing consulting services and establish agreements between SORSA and its members. Financial information can be obtained by contacting the SORSA Executive Director at 8050 North High Street, Columbus, Ohio 43235-6483.

**CORY RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 17 – INSURANCE POOLS (CONTINUED)

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 Trustee, Hylant Group, 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 Hylant Group, 811 Madison Avenue, Toledo, Ohio 43604.

C. Northern Buckeye Education Council 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 plan is offered by the Northern Buckeye Education Council (NBEC), and Sheakley UniServices, Inc. is the Third Party Administrator. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

THIS PAGE INTENTIONALLY LEFT BLANK.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Cory-Rawson Local School District, Hancock County, Ohio (the District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2015, wherein we issued an adverse opinion on the District's financial statements because in fiscal year 2013 the District began preparing its financial statements using accounting practices the Auditor of State prescribes or permits for governments not required to report using accounting principles generally accepted in the United States of America. We also noted in fiscal year 2013 the District ceased to present the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-004 described in the accompanying schedule of findings to be material weaknesses.

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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 through 2014-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

March 25, 2015

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

**SCHEDULE OF FINDINGS
JUNE 30, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Noncompliance – Material Weakness

Ohio Rev. Code § 117.38 provides each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. In addition, the 2014 financial report was not filed with the auditor of state as of March 5, 2015. Pursuant to Ohio Revised Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to meet the filing requirements.

In addition, the District failed to present the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* as mandated by Auditor of State Bulletin 2011-004 for regulatory financial statements. As a result the District's fund balances were not properly reported as of June 30, 2013 and 2014.

We recommend the District prepare its statements in accordance with accounting principles generally accepted in the United States of America, and present GASB 54, and file the report by the required date.

FINDING NUMBER 2014-002

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated in accordance with the Ohio Revised Code. The following funds had expenditures exceeding appropriations:

| Fund | Approved Appropriations | Expenditures | Difference |
|--|----------------------------|--------------|--------------|
| For the year ended June 30, 2014: | | | |
| General Fund | \$ 6,668,950 | \$ 6,904,198 | \$ (235,248) |
| Debt Service Fund | 896,221 | 6,477,119 | (5,580,898) |
| Capital Project Permanent Improvement Fund | 183,436 | 285,422 | (101,986) |
| For the year ended June 30, 2013: | | | |
| General Fund | 6,613,300 | 6,763,502 | (150,202) |
| Auxiliary Services Fund | 50,174 | 60,348 | (10,174) |

**FINDING NUMBER 2014-002
(CONTINUED)**

Noncompliance (Continued)

Expenditures in excess of appropriations may result in deficit spending. We recommend expenditures and appropriations be reviewed frequently by the Board and the necessary adjustments be made to reduce the possibility of expenditures exceeding appropriations

FINDING NUMBER 2014-003

Noncompliance

Ohio Rev. Code § 5705.39 provides appropriations from each fund should not exceed the estimated revenue available for expenditure from that fund as certified by the budget commission in the certificate of estimated resources. Furthermore, no appropriation measure is to become effective until the County Auditor files a certificate with the subdivision that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The following funds had expenditures exceeding appropriations:

| Fund | Approved Appropriations | Approved Estimated Resources | Difference |
|--|--------------------------------|-------------------------------------|-------------------|
| For the year ended June 30, 2014: | | | |
| Education Foundation Fund | \$ 2,000 | \$ 1,952 | \$ (48) |
| Athletic Fund | 152,000 | 141,017 | (10,983) |
| Auxiliary Service Fund | 60,000 | 40,073 | (19,927) |
| EMIS Fund | 1,000 | | (1,000) |
| Race to the Top Fund | 35,000 | 25,475 | (9,525) |
| Idea B Fund | 145,457 | 129,265 | (16,192) |
| Title II A Fund | 44,646 | 14,988 | (29,658) |
| REAP Fund | 56,708 | 44,876 | (11,832) |
| Trust Scholarship Fund | 9,800 | 6,225 | (3,575) |
| For the year ended June 30, 2013: | | | |
| Title II A Fund | 16,227 | 15,348 | (879) |
| Classroom Facilities Fund | 6,261,279 | 2,276,322 | (3,984,957) |

Total appropriations in excess of total available resources could result in deficit spending. We recommend the Treasurer regularly compare appropriations to the total available resources for expenditure from each fund and submit the necessary modifications to the Board for approval.

FINDING NUMBER 2014-004

Material Weakness

Financial Reporting

We encountered the following transactions that required reclassification adjustments and the accompanying financial statements reflect these amounts:

- In 2014 the debt refunding was not posted to the debt service fund and adjustments ranging from \$132,995 to \$5,816,815 were need to properly account for and post to the books;

**FINDING NUMBER 2014-004
(CONTINUED)**

Material Weakness (Continued)

- In 2014 and 2013 intrafund transfers were not eliminated from the financial statements;
- the amounts were \$19,399 and \$190,578 respectively;
- In 2014 and 2013 the combined disbursements from special revenue funds #516 and #578 were incorrectly posted as other financing sources. They should have been recorded as special instruction. The amounts were \$ 133,334 and \$133,546 respectively;
- In 2013 in the agency fund \$1,421 was incorrectly posted as negative miscellaneous receipts and should have been recorded as payments in accordance with trust agreements and \$9,127 was incorrectly posted as non-operating miscellaneous and should have been recorded as gifts and donations;
- In 2013 in the agency and enterprise funds transfers and advances ins and outs were incorrectly presented at net amounts resulting in adjustments ranging from \$632 to \$20,858;
- In 2013 in the general fund \$30,030 was incorrectly posted as miscellaneous receipts and should have been sale of capital assets;
- In 2014 in the special revenue fund \$11,472 was incorrectly posted as miscellaneous receipts and should have been intergovernmental receipts;
- In 2013 in the special revenue fund \$22, 026 was incorrectly posted as miscellaneous receipts and should have been extracurricular receipts;
- In 2013 in the capital project fund the reserve for encumbrance amount was overstated by \$3,854,850 and so was the budgetary expenditures note disclosure amount;
- In 2014 in the agency fund \$4,000 was incorrectly posted as miscellaneous receipts and should have been posted as a transfer-in. Also, \$29,068 was incorrectly posted as extracurricular receipts and should have been gifts and donations.
- The Pension Plan, Debt, Cash, Budgetary, and Risk Management note disclosures had missing or incorrect information and amounts requiring modification;

The accompanying financial statements and accompanying notes have been adjusted to correct these errors.

To ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements by the Treasurer and the Board, to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

CORY-RAWSON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2012-001 | Ohio Rev. § 5705.41(D) for lack of proper certification of expenditures. | Yes | |



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
APRIL 9, 2015**