



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cory-Rawson Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cory-Rawson Local School District, Hancock County, Ohio, as of June 30, 2004, and the respective changes in financial position, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. As described in Note 10, during the year ended June 30, 2004, the District changed its fixed asset capitalization policy.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

April 25, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The discussion and analysis of Cory-Rawson Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

In total, net assets increased \$410,176. This was due to a new income tax levy that went into effect January 1, 2004 and capital assets purchased.

General revenues accounted for \$5,157,588, or 83 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$1,042,331, or 17 percent of total revenues of \$6,199,919.

The District's major funds included the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund had \$5,346,634 in revenues and \$4,984,885 in expenditures and other financing uses. The General Fund's balance increased \$361,749 from the prior fiscal year. The Permanent Improvement Capital Projects Fund had \$99,842 in revenues and \$40,766 in expenditures. The Permanent Improvement Capital Projects Fund's balance increased \$59,076 from the prior fiscal year.

Using the Basic Financial Statements

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund and the Permanent Improvement Capital Projects Fund are the only two major funds.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2004. A comparative analysis is not provided because this is the first year for government-wide financial statements using the full accrual basis of accounting. An analysis will be provided in future years when prior year information is available.

**Table 1
Net Assets
Governmental Activities**

	2004
<u>Assets:</u>	
Current and Other Assets	\$2,707,753
Capital Assets, Net	2,206,695
Total Assets	<u>4,914,448</u>
<u>Liabilities:</u>	
Current and Other Liabilities	2,530,304
Long-Term Liabilities	397,038
Total Liabilities	<u>2,927,342</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	2,204,831
Restricted	151,179
Unrestricted	(368,904)
Total	<u>\$1,987,106</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2004. This is the first year of implementation for GASB 34. Comparative figures are not available for fiscal year 2003. A comparative analysis will be provided in future years when prior year information is available.

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

	2004
<u>Revenues:</u>	
Program Revenues:	
Charges for Services and Sales	\$527,151
Operating Grants, Contributions and Interest	483,252
Capital Grants and Contributions	31,928
Total Program Revenues	1,042,331
General Revenues:	
Property Taxes	1,804,755
Income Taxes	829,072
Payment in Lieu of Taxes	54,755
Grants and Entitlements	2,433,373
Interest	4,761
Gifts and Donations	15,189
Miscellaneous	15,683
Total General Revenues	5,157,588
Total Revenues	6,199,919
 <u>Expenses:</u>	
Instruction	2,970,673
Support Services:	
Pupils	234,573
Instructional Staff	358,834
Board of Education	31,610
Administration	664,915
Fiscal	187,744
Operation and Maintenance of Plant	511,539
Pupil Transportation	312,502
Central	8,327
Operation of Non-Instructional Services	218,679
Extracurricular Activities	287,258
Interest and Fiscal Charges	3,089
Total Expenses	5,789,743
Increase in Net Assets	\$410,176

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Governmental Activities

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

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2004</u>	<u>2004</u>
Instruction	\$2,970,673	\$2,348,989
Support Services:		
Pupils	234,573	229,573
Instructional Staff	358,834	358,834
Board of Education	31,610	31,610
Administration	664,915	664,915
Fiscal	187,744	187,744
Operation and Maintenance of Plant	511,539	502,677
Pupil Transportation	312,502	299,066
Central	8,327	8,327
Operation of Non-Instructional Services	218,679	8,956
Extracurricular Activities	287,258	103,632
Interest and Fiscal Charges	3,089	3,089
Total Expenses	<u>\$5,789,743</u>	<u>\$4,747,412</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 79 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 82 percent. The remaining 18 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund. Total governmental funds had revenues and other financing sources of \$6,071,702 and expenditures and other financing uses of \$5,704,235. The net positive change of \$367,467 in fund balance for the year indicates that the District is able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2004, the District amended its General Fund budget as needed.

Final expenditures and other financing uses were budgeted at \$5,133,940 while actual expenditures and other financing uses were \$5,104,439. The \$29,501 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$2,206,695 invested in capital assets (net of accumulated depreciation) for governmental activities.

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

Debt

At June 30, 2004, the District had \$175,000 in permanent improvement notes for building improvements. The notes were issued for a five-year period, with final maturity on December 28, 2008. The notes are being retired through the Permanent Improvement Capital Projects Fund.

At June 30, 2004, the District had \$1,864 in a musical instruments loan. The loan was issued for a five-year period, with final maturity on September 2, 2004. The loan is being retired through the Bond Retirement Debt Service Fund.

At June 30, 2004, the District's overall legal debt margin was \$6,400,078, with an un-voted debt margin of \$73,056.

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

Current Issues

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

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

Contacting the District's Financial Management

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

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

**Statement of Net Assets
June 30, 2004**

		<u>Governmental Activities</u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$	596,844
Materials and Supplies Inventory		5,270
Accrued Interest Receivable		509
Accounts Receivable		50
Intergovernmental Receivable		37,119
Prepaid Items		49,902
Taxes Receivable		1,648,760
Income Taxes Receivable		369,299
Non-Depreciable Capital Assets		42,390
Depreciable Capital Assets, net		<u>2,164,305</u>
Total Assets		<u>4,914,448</u>
LIABILITIES:		
Accounts Payable		36,128
Accrued Wages and Benefits		631,775
Intergovernmental Payable		182,284
Matured Compensated Absences Payable		11,116
Notes Payable		175,000
Deferred Revenue		1,494,001
Long-Term Liabilities:		
Due Within One Year		10,793
Due in More Than One Year		<u>386,245</u>
Total Liabilities		<u>2,927,342</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		2,204,831
Restricted for Debt Service		5,973
Restricted for Capital Outlay		104,381
Restricted for Other Purposes		40,825
Unrestricted		<u>(368,904)</u>
Total Net Assets	\$	<u>1,987,106</u>

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Activities
June 30, 2004**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 2,343,564	\$ 201,874	\$ 104,376	\$ 16,500	(2,020,814)
Special	441,370	14,522	249,428		(177,420)
Vocational	133,902		34,984		(98,918)
Other	51,837				(51,837)
Support Services:					
Pupils	234,573		5,000		(229,573)
Instructional Staff	358,834				(358,834)
Board of Education	31,610				(31,610)
Administration	664,915				(664,915)
Fiscal	187,744				(187,744)
Operation and Maintenance of Plant	511,539			8,862	(502,677)
Pupil Transportation	312,502		6,870	6,566	(299,066)
Central	8,327				(8,327)
Operation of Non-Instructional Services	218,679	165,497	44,226		(8,956)
Extracurricular Activities	287,258	145,258	38,368		(103,632)
Debt Service:					
Interest and Fiscal Charges	3,089				(3,089)
Totals	\$ 5,789,743	\$ 527,151	\$ 483,252	\$ 31,928	\$ (4,747,412)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	1,709,402
Property Taxes, Levied for Capital Outlay	91,986
Property Taxes, Levied for Debt Service	3,367
Payment in Lieu of Taxes	54,755
Income Taxes	829,072
Grants and Entitlements not Restricted to Specific Programs	2,433,373
Gifts and Donations	15,189
Investment Earnings	4,761
Miscellaneous	15,683
Total General Revenues	5,157,588
Change in Net Assets	410,176
Net Assets Beginning of Year	1,576,930
Net Assets End of Year	\$ 1,987,106

See Accompanying Notes to the Basic Financial Statements

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

**Balance Sheet
Governmental Funds
June 30, 2004**

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 188,848	\$ 271,916	\$ 136,080	\$ 596,844
Materials and Supplies Inventory	1,945		3,325	5,270
Accrued Interest Receivable	509			509
Accounts Receivable	50			50
Interfund Receivable	79,043			79,043
Intergovernmental Receivable			37,119	37,119
Prepaid Items	48,903		999	49,902
Taxes Receivable	1,566,269	80,439	2,052	1,648,760
Income Taxes Receivable	369,299			369,299
Total Assets	\$ 2,254,866	\$ 352,355	\$ 179,575	\$ 2,786,796
Liabilities				
Current Liabilities:				
Accounts Payable	25,813		10,315	36,128
Accrued Wages and Benefits	594,826		36,949	631,775
Interfund Payable			79,043	79,043
Intergovernmental Payable	83,197		1,319	84,516
Matured Compensated Absences Payable	11,116			11,116
Notes Payable		175,000		175,000
Deferred Revenue	1,522,262	74,366	29,090	1,625,718
	2,237,214	249,366	156,716	2,643,296
Fund Balances				
Reserved:				
Reserved for Encumbrances	8,396	18,552	18,818	45,766
Reserved for Inventory	1,945		3,325	5,270
Reserved for Property Taxes	120,927	6,073		127,000
Unreserved, Undesignated, Reported in:				
General Fund	(113,616)			(113,616)
Special Revenue Funds			(5,257)	(5,257)
Debt Service Funds			5,973	5,973
Capital Projects Funds		78,364		78,364
Total Fund Balances	17,652	102,989	22,859	143,500
Total Liabilities and Fund Balances	\$ 2,254,866	\$ 352,355	\$ 179,575	\$ 2,786,796

See Accompanying Notes to the Basic Financial Statements

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

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2004**

Total Governmental Fund Balances	\$	143,500
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		2,206,695
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Income Tax Receivable	76,920	
Intergovernmental Receivable	27,038	
Property Taxes Receivable	27,759	
		131,717
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(97,768)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Musical Instruments Loan	(1,864)	
Compensated Absences Payable	(395,174)	
		(397,038)
Net Assets of Governmental Activities	\$	1,987,106

See Accompanying Notes to Basic Financial Statements

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

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property and Other Local Taxes	\$ 1,683,035	\$ 90,594	\$ 3,367	\$ 1,776,996
Income Tax	752,152			752,152
Intergovernmental	2,820,321	8,862	268,406	3,097,589
Interest	4,181	386	194	4,761
Tuition and Fees	22,623			22,623
Rent	2,105			2,105
Extracurricular Activities			144,610	144,610
Gifts and Donations	39,224		38,368	77,592
Customer Sales and Services	14,522		165,497	180,019
Miscellaneous	8,471		1,284	9,755
Total Revenues	<u>5,346,634</u>	<u>99,842</u>	<u>621,726</u>	<u>6,068,202</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,216,177	3,607	142,237	2,362,021
Special	374,760		61,794	436,554
Vocational	129,425		50	129,475
Other	51,837			51,837
Support Services:				
Pupils	197,789		26,841	224,630
Instructional Staff	300,689		43,852	344,541
Board of Education	31,610			31,610
Administration	615,741		36,237	651,978
Fiscal	182,389	1,388		183,777
Operation and Maintenance of Plant	474,309	35,771	739	510,819
Pupil Transportation	265,951		150	266,101
Central	2,054		6,273	8,327
Operation of Non-Instructional Services			206,865	206,865
Extracurricular Activities	137,542		140,277	277,819
Debt Service:				
Principal			12,342	12,342
Interest	1,112		927	2,039
Total Expenditures	<u>4,981,385</u>	<u>40,766</u>	<u>678,584</u>	<u>5,700,735</u>
Excess of Revenues Over (Under) Expenditures	<u>365,249</u>	<u>59,076</u>	<u>(56,858)</u>	<u>367,467</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In			3,500	3,500
Transfers Out	(3,500)			(3,500)
Total Other Financing Sources and Uses	<u>(3,500)</u>	<u>-</u>	<u>3,500</u>	<u>-</u>
Net Change in Fund Balances	361,749	59,076	(53,358)	367,467
Fund Balance (Deficit) at Beginning of Year	(344,097)	43,913	76,217	(223,967)
Fund Balance at End of Year	<u>\$ 17,652</u>	<u>\$ 102,989</u>	<u>\$ 22,859</u>	<u>\$ 143,500</u>

See Accompanying Notes to the Basic Financial Statements

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

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2004**

Net Change in Fund Balances - Total Governmental Funds \$ 367,467

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

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	\$ 58,969	
Depreciation	<u>(166,290)</u>	
		(107,321)

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

Property Taxes	27,759	
Intergovernmental	27,038	
Income Tax	<u>76,920</u>	
		131,717

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

12,342

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(50,893)	
Compensated Absences Payable	<u>56,864</u>	
		5,971

Change in Net Assets of Governmental Activities \$ 410,176

See Accompanying Notes to Basic Financial Statements

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

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$ 1,485,317	\$ 1,486,108	\$ 1,224,577	\$ (261,531)
Income Taxes	623,000	623,000	659,498	36,498
Intergovernmental	2,671,416	2,671,416	2,820,573	149,157
Interest	13,000	13,000	4,448	(8,552)
Tuition and Fees	31,000	31,000	24,757	(6,243)
Rent	1,600	1,600	2,105	505
Gifts and Donations	32,146	37,800	39,224	1,424
Customer Sales and Services	33,600	33,600	14,522	(19,078)
Miscellaneous	300	300	824	524
Total Revenues	4,891,379	4,897,824	4,790,528	(107,296)
Expenditures:				
Current:				
Instruction:				
Regular	2,258,785	2,228,039	2,222,470	5,569
Special	368,015	375,269	374,927	342
Vocational	159,132	127,437	125,955	1,482
Other	40,000	51,840	51,837	3
Support services:				
Pupils	229,764	230,658	228,869	1,789
Instructional Staff	277,899	311,364	309,366	1,998
Board of Education	31,210	34,625	30,664	3,961
Administration	603,464	628,175	624,150	4,025
Fiscal	172,504	175,387	174,708	679
Operation and Maintenance of Plant	460,927	475,238	472,249	2,989
Pupil Transportation	268,966	272,764	269,383	3,381
Central	2,000	2,055	2,054	1
Non-Instructional Services	888	888		888
Extracurricular activities	147,450	145,301	148,111	(2,810)
Total Expenditures	5,021,004	5,059,040	5,034,743	24,297
Excess of Expenditures Over Revenues	(129,625)	(161,216)	(244,215)	(82,999)
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	3,500	3,500	2,864	(636)
Refund of Prior Year Expenditures			5,021	5,021
Advances In			1,852	1,852
Proceeds from Sale of Notes	200,000	313,000	419,250	106,250
Transfers Out	(8,700)	(8,700)	(3,500)	5,200
Advances Out		(66,200)	(66,196)	4
Total Other Financing Sources (Uses)	194,800	241,600	359,291	117,691
Net Change in Fund Balance	65,175	80,384	115,076	34,692
Fund Balance (Deficit) at Beginning of Year	(3,470)	(3,470)	(3,470)	-
Prior Year Encumbrances Appropriated	43,701	43,701	43,701	-
Fund Balance at end of Year	\$ 105,406	\$ 120,615	\$ 155,307	\$ 34,692

See Accompanying Notes to Basic Financial Statements

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

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>11,232</u>	\$ <u>31,406</u>
Liabilities:		
Due to Students		\$ <u>31,406</u>
Net Assets:		
Held in Trust for Scholarships	\$ <u>11,232</u>	

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ 25
Contributions	416
Total Additions	<u>441</u>
Deductions:	
Scholarships	<u>612</u>
Change in Net Assets	(171)
Net Assets at Beginning of Year	<u>11,403</u>
Net Assets at End of Year	<u>\$ 11,232</u>

See Accompanying Notes to the Basic Financial Statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District was established in 1949 through the consolidation of existing land areas and school districts. The District serves an area of approximately one hundred five square miles. It is located in Hancock County. The District is the 554th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 35 classified employees and 52 certified teaching personnel, and six administrative employees who provide services to 721 students and other community members. It currently operates an elementary school and a middle/high school.

The Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For 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. There are no component units of the District.

The District's reporting entity includes the following:

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

The District is associated with six jointly governed organizations and two insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative (NOACSC), Millstream Cooperative Vocational Career Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., West Central Regional Professional Development Center, Northwest Ohio Special Education Regional Resource Center, Hancock County Schools Health Benefit Fund and Trust, and the NOACSC Worker's Compensation Group Rating Plan. Information about these organizations is presented in Notes 17 and 18 to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Governmental Funds

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

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

Permanent Improvement Capital Projects Fund - The Permanent Improvement Fund is 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).

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

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Expenditures/Expenses

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

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the following funds in fiscal year 2004, was \$4,181 for the General Fund and \$580 to other funds.

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

G. Inventory

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

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

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$1,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of capital assets is also not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

J. Interfund Balances

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

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

N. Fund Balance Reserves

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

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

O. Interfund Transactions

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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

P. Prepaid Items

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

Q. Estimates

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2004, the District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments;" GASB No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues," GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements 36, 37 and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The District restated the fund liability of compensated absences that had not matured during fiscal year 2003.

The restatements for fund classifications, GASB Statement No. 34, and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Permanent Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Fund Balance June 30, 2003	(\$351,738)	\$43,913	\$98,429	(\$209,396)
GASB Statement 34 Adjustment				
Change in Fund Structure - Enterprise			(25,677)	(25,677)
Interpretation 6 Adjustments:				
Compensated Absences Payable	7,641		3,465	11,106
Adjusted Fund Balance	<u>(\$344,097)</u>	<u>\$43,913</u>	<u>\$76,217</u>	<u>(223,967)</u>
GASB 34 Adjustments:				
Capital Assets				2,314,016
Intergovernmental Payable				(46,875)
Long-Term Liabilities				(466,244)
Governmental Activities Net Assets at June 30, 2003				<u>\$1,576,930</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

4. ACCOUNTABILITY

At June 30, 2004, the Food Service, Eisenhower, Title I, Title VI, and Title VI-R Special Revenue Funds, had deficit fund balances of \$18,357, \$452, \$20,669, \$3,513 and \$11,342 resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit fund balances; however, this is done when cash is needed rather than when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance Major Governmental Fund	
	General
GAAP Basis	\$361,749
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2003, Received In Cash FY 2004	286,511
Accrued FY 2004, Not Yet Received in Cash	(414,730)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(685,893)
Accrued FY 2004, Not Yet Paid in Cash	665,324
Net Advances	(64,344)
Encumbrances Outstanding at Year End (Budget Basis)	(33,541)
Budget Basis	\$115,076

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

6. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits that 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 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 accounts including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

6. DEPOSITS AND INVESTMENTS – (Continued)

Investments in stripped principal or interest obligations, reverse purchase 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

At fiscal year-end, the carrying amount of the District's deposits was \$456,310 and the bank balance was \$526,820. Of the bank balance, \$185,000 was covered by Federal Depository Insurance and \$341,820 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2004, the fair value of funds on deposit with STAR Ohio was \$183,172.

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$639,482	
Investments:		
STAR Ohio	(183,172)	\$183,172
GASB Statement No. 3	\$456,310	\$183,172

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

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, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes for 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2004 were levied after April 1, 2003, on the assessed values as of December 31, 2002, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes for 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Hancock County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2004, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2004 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2004, was \$120,927 in the General Fund, and \$6,073 in the Capital Projects Fund. The amount available as an advance at June 30, 2003, was \$84,744 in the General Fund and \$4,256 in the Capital Projects Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

7. PROPERTY TAXES – (Continued)

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$54,905,320	77%	\$56,413,690	77%
Industrial/Commercial	6,186,180	9%	6,175,810	9%
Public Utility	3,710,040	5%	3,675,600	5%
Tangible Personal	6,443,727	9%	6,791,327	9%
Total Assessed Value	<u>\$71,245,267</u>	<u>100%</u>	<u>\$73,056,427</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$34.50		\$34.50	

8. INCOME TAX

The District levies a voted tax of 1 percent that was effective on January 1, 1992, and is for a continuing period. In November 2003, the District levied an additional voted ¾ % income tax effective on January 1, 2004, and is for a period of five years. The income tax is for general operations on the income of residents and of estates.

Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

9. RECEIVABLES

Receivables at June 30, 2004, consisted of property, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Food Service	8,356
Intervention Services	11,800
Title I	11,189
Title VI	3,557
Title IV-R	1,725
Miscellaneous Federal	492
Total Intergovernmental Receivables	<u>\$37,119</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

10. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance at 6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/04</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$42,390			\$42,390
Total Nondepreciable Capital Assets	42,390			42,390
Depreciable Capital Assets				
Land Improvements	54,300			54,300
Buildings and Building Improvements	3,547,440	\$9,595		3,557,035
Furniture, Fixtures, and Equipment	1,240,676	49,374		1,290,050
Vehicles	644,999			644,999
Total Depreciable Capital Assets	5,487,415	58,969		5,546,384
Less Accumulated Depreciation				
Land Improvements	(45,371)	(1,592)		(46,963)
Buildings and Building Improvements	(2,121,190)	(57,070)		(2,178,260)
Furniture, Fixtures, and Equipment	(752,122)	(79,511)		(831,633)
Vehicles	(297,106)	(28,117)		(325,223)
Total Accumulated Depreciation	(3,215,789)	(166,290)		(3,382,079)
Depreciable Capital Assets, Net	2,271,626	(107,321)		2,164,305
Governmental Activities Capital Assets, Net	\$2,314,016	(\$107,321)		\$2,206,695

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$83,946
Special	5,103
Vocational	4,068
Support Services:	
Pupils	1,943
Instructional Staff	4,092
Administration	5,038
Fiscal	1,859
Operation and Maintenance of Plant	13,804
Pupil Transportation	28,296
Operations of Non-Instruction	3,223
Extracurricular	14,918
Total Depreciation Expense	<u>\$166,290</u>

The balance of capital assets (at cost) as of June 30, 2003, was decreased by \$959,779 from \$6,489,584 to \$5,529,805 due accounting changes and the change in the District's capitalization threshold from \$200 to \$1,000.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted for the following insurance coverage:

Coverage provided by Utica National Insurance Group is as follows:

Buildings and Contents - replacement cost (\$5,000 deductible)	\$14,142,900
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General School District Liability (\$1,000 deductible)	
Aggregate	2,000,000
Umbrella	1,000,000

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

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

For fiscal year 2004, the District participated in the Ohio Risk Sharing Authority (ORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the ORSA for insurance coverage and pays annual premiums to the ORSA based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2004, the District participated in the NOACSC Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended 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 workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

12. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a financial report, obtainable by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

12. DEFINED BENEFIT PENSION PLANS – (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$336,011, \$334,988, and \$238,968, respectively, 83.4 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a financial report, obtainable by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

12. DEFINED BENEFIT PENSION PLANS – (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$69,685, \$70,288 and \$45,513; 44.5 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

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, 2004, one of the Board members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

13. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$25,847 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

13. POSTEMPLOYMENT BENEFITS – (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$49,393.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

14. OTHER EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

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

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

B. Health Care Benefits

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

15. NOTES PAYABLE

On June 28, 2004, the School District issued tax anticipation notes, in the amount of \$175,000, for permanent improvements. The notes were issued under the authority of House Bill 710 for a five year period, with final maturity during fiscal year 2008. The notes have an interest rate of 4.4 percent. The notes are being repaid through the Permanent Improvement capital projects fund with tax revenues. The outstanding balance at June 30, 2004, was \$175,000.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

15. NOTES PAYABLE – (Continued)

Principal and interest requirements to retire the notes are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$ 35,917	\$ 7,080	\$ 42,997
2006	37,553	5,444	42,997
2007	39,263	3,735	42,998
2008	41,046	1,951	42,997
2009	21,221	278	21,499
Total	\$ 175,000	\$ 18,488	\$ 193,488

16. LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2004 were as follows:

	Balance at 6/30/03	Additions	Deductions	Balance at 6/30/04	Due Within One Year
Long-Term Obligations:					
Computer Loan					
1999 5.800%	\$5,152		\$5,152		
Musical Instruments Loan					
2000 5.750%	9,054		7,190	\$1,864	\$1,864
Total Long-Term Debt	14,206		12,342	1,864	1,864
Compensated Absences Payable	452,038	\$395,174	452,038	395,174	8,929
Total Long-Term Liabilities	<u>\$466,244</u>	<u>\$395,174</u>	<u>\$464,380</u>	<u>\$397,038</u>	<u>\$10,793</u>

1999 Computer Loan - On July 15, 1998, the District obtained a loan, in the amount of \$90,000, for computer equipment. The loan was obtained under the authority of Ohio Revised Code Section 3313.37 for a five year period, with final maturity in fiscal year 2004. The loan is being retired through the Bond Retirement Debt Service Fund.

2000 Musical Instruments Loan - On September 2, 1999, the District obtained a loan, in the amount of \$32,600, for musical instruments. The loan was obtained for a five year period, with final maturity in fiscal year 2005. The loan is being retired through the Bond Retirement Debt Service Fund.

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

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2004, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$1,864	\$28	\$1,892

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert counties, and the cities of St. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2004, the District paid \$16,880 to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Cooperative Vocational Career Center

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

C. Hancock County Local Professional Development Committee

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

D. Northwestern Ohio Educational Research Council, Inc.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

E. West Central Regional Professional Development Center

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

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

F. Northwest Ohio Special Education Regional Resource Center

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

18. INSURANCE POOLS

A. Hancock County Schools Health Benefit Fund and Trust

The Hancock County Schools Health Benefit Fund and Trust (Trust) is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The Trust is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to participants. The Administrative Committee of the Trust consists of the superintendent from each participating member. The Administrative Committee advises the trustee, Sky Bank, concerning aspects of the administration of the Trust.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

18. INSURANCE POOLS – (Continued)

B. NOACSC 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 NOACSC Workers’ Compensation Group Rating Plan (Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool.

The Safety Coordinator of NOACSC or his designee serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition
Set-aside Balance as of June 30, 2003	(\$59,297)	
Current Year Set-aside Requirement	101,206	\$101,206
Current Year offset		(253,564)
Qualifying Disbursements	(58,113)	(2,460)
Total	(\$16,204)	\$(154,818)
Set-aside Amounts Carried Forward to Fiscal Year 2005	(\$16,204)	

The District had qualifying offsets and disbursements during the fiscal year that reduced the capital improvements set-aside amounts below zero. This amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

20. SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...” The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

21. INTERFUND TRANSFERS

During the year ended June 30, 2004, the District transferred \$3,500 from the General Governmental Fund to a Non-major Governmental Fund. This transfer was made for operating expenses of the Non-major Governmental Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

22. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

B. Litigation

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



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cory-Rawson Local School District, Hancock County (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 25, 2006, in which we disclosed the District implemented a new financial reporting model and changed its fixed asset capitalization policy. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A Reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated April 25, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the District's management dated April 25, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

April 25, 2006

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

**SCHEDULE OF FINDINGS
JUNE 30, 2004**

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

FINDING NUMBER 2004-001

Reportable Condition

District Managed and Student Managed Activity Funds

Student activity funds consist of programs in which students participate and manage. Successful operation of such programs is dependent upon the formulation of sound policy and effective guidelines. Sales Project Forms (the Form) were not used for all activities to monitor their fund raising activities. Also, not all supporting records pertaining to the FFA fruit sales were retained by the Student Activity Advisor.

To strengthen internal controls, provide management with a profit measurement tool, and to prevent errors, irregularities, or misappropriation of assets from occurring and being undetected, we recommend the following:

- Management should compare their Student Activity Handbook with the Auditor of State's *Guidelines for Developing Policies for Student Activity Programs*, available at [www.auditor.state.oh.us/Publications/Manuals and Handbooks](http://www.auditor.state.oh.us/Publications/Manuals%20and%20Handbooks). The District should update their handbook if it does not address significant items addressed in the Auditor of State's publication.
- Student activity advisors carefully review the School Districts' Student Activity Handbook and related Board policies addressing the proper accounting and required documentation for student activity funds. Acknowledgment noting review and understanding of such policies from all advisors should be obtained and kept on file each year. This could be turned in with the student activity budgets submitted by advisors before each fiscal year.
- Instructions for proper completion of the Form should be included on the form.
- Management review of student activity financial accounts/records to ensure the Forms are on file and accurately completed for all fundraising activities. If such Forms are determined to be completed in error they should be investigated and corrected.
- Forms should be completed for all student activities, inclusive of yearbook sales/activities. Top portion should be completed, reviewed, and approved prior to commencing the fundraising activity. The Form should be updated with quantity of goods ordered/sold, cost per unit, and proposed sales price. Upon completion of the activity, the bottom portion of the form should be completed with signature and information as to final purchase amount(s), returns, and total amount deposited with the Treasurer.
- School Advisors should retain all records supporting fundraising activities. Records kept should include, but are not limited to reconciliations showing the total quantity ordered (which should agree to invoice), selling prices per items, an explanation of any items not sold, returned, spoiled, stolen, contributed, or given away, and an inventory for the items not sold.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Finding for Recovery Repaid Under Audit	Yes	Fully Corrected.
2003-002	ORC § 5705.41(B) Expenditures in excess of appropriations.	No	Partially corrected. Reported in management letter.
2003-003	Recommendation for accounting for Student Activities.	No	Finding has not been corrected and is repeated in this report as item 2004-001.



**Auditor of State
Betty Montgomery**

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CORY-RAWSON LOCAL SCHOOL DISTRICT

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 23, 2006**