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AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

McComb Local School District
Hancock County
328 South Todd Street
P.O. Box 877
McComb, Ohio 45858

To the Board of Education:

We have audited the accompanying general-purpose financial statements of McComb Local School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the McComb Local School District, Hancock County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 23, 2002

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**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,245,586	\$275,263	\$56,602	\$106,642
Cash and Cash Equivalents with Fiscal Agents		7,045	15,144	
Receivables:				
Property Taxes	1,603,547		242,397	190,901
Income Taxes	226,361			
Accounts	17,894	3,187		
Intergovernmental	916	75,000		
Interfund	1,500			
Accrued Interest	4,032			
Prepaid Items	39,963	933		
Materials and Supplies Inventory	2,841			
Inventory Held for Resale				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	16,679			
Advances to Other Funds	75,000			
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount Available in Special Revenue Fund for Payment of Termination Benefits				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	\$3,234,319	\$361,428	\$314,143	\$297,543

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$22,693	\$57,612			\$1,764,398
				22,189
				2,036,845
				226,361
3,109				24,190
				75,916
				1,500
				4,032
2,983				43,879
				2,841
2,546				2,546
				16,679
				75,000
160,241		\$7,588,465		7,748,706
			\$74,826	74,826
			159,996	159,996
			3,113,547	3,113,547
\$191,572	\$57,612	\$7,588,465	\$3,348,369	\$15,393,451

(Continued)

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY, AND OTHER CREDITS:				
Liabilities:				
Accounts Payable	\$23,751	\$21,210		\$4,726
Accrued Wages and Benefits	449,081	14,649		
Compensated Absences Payable	7,101			
Intergovernmental Payable	109,079	1,925		
Interfund Payable		1,500		
Deferred Revenue	1,547,733	53,167	\$224,173	177,120
Undistributed Assets				
Due to Students				
Matured Bonds Payable			15,000	
Matured Interest Payable			144	
Advances from Other Funds				75,000
Capital Lease Payable				
General Obligation Bonds Payable				
Total Liabilities	2,136,745	92,451	239,317	256,846
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved (Deficit)				
Contributed Capital				
Fund Balance:				
Reserved for Property Taxes	114,877		18,224	13,781
Reserved for Inventory	2,841			
Reserved for Budget Stabilization	16,679			
Reserved for Advances	75,000			
Reserved for Contributions				
Reserved for Encumbrances	12,927	16,383		14,607
Designated for Termination Benefits		159,996		
Unreserved, Undesignated	875,250	92,598	56,602	12,309
Total Fund Equity and Other Credits	1,097,574	268,977	74,826	40,697
Total Liabilities, Fund Equity and Other Credits	\$3,234,319	\$361,428	\$314,143	\$297,543

See Accompanying Notes to the General-Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
				\$50,855
\$1,168				478,696
14,966				406,149
5,457			\$393,591	160,397
10,829			38,564	1,500
				2,003,896
1,703				1,267
	\$1,267			33,120
	33,120			15,000
				144
				75,000
			6,214	6,214
			2,910,000	2,910,000
34,123	34,387		3,348,369	6,142,238
		\$7,588,465		7,588,465
(20,901)				(20,901)
178,350				178,350
				146,882
				2,841
				16,679
				75,000
	18,285			18,285
				43,917
				159,996
	4,940			1,041,699
157,449	23,225	7,588,465		9,251,213
\$191,572	\$57,612	\$7,588,465	\$3,348,369	\$15,393,451

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Property Taxes	\$1,591,075	
Income Taxes	581,780	
Intergovernmental	2,705,008	\$297,275
Interest	125,155	1,127
Tuition and Fees	14,476	
Extracurricular Activities		139,764
Gifts and Donations	400	39,615
Miscellaneous	26,085	2,435
Total Revenues	<u>5,043,979</u>	<u>480,216</u>
Expenditures:		
Current:		
Instruction:		
Regular	2,269,624	49,834
Special	517,326	78,107
Vocational	207,151	
Other	49,007	
Support Services:		
Pupils	155,563	77,215
Instructional Staff	195,914	24,686
Board of Education	8,898	
Administration	514,113	65,604
Fiscal	151,544	346
Operation and Maintenance of Plant	400,890	
Pupil Transportation	334,854	
Central	13,690	
Extracurricular Activities	141,307	138,714
Capital Outlay		
Intergovernmental		
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	<u>4,959,881</u>	<u>434,506</u>
Excess of Revenues Over Expenditures	<u>84,098</u>	<u>45,710</u>
Other Financing Sources (Uses):		
Operating Transfers In		66,543
Operating Transfers Out	(66,543)	
Total Other Financing Sources (Uses)	<u>(66,543)</u>	<u>66,543</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	17,555	112,253
Fund Balances at Beginning of Year - Restated Note 4	1,081,122	156,724
Decrease in Reserve for Inventory	(1,103)	
Fund Balances at End of Year	<u>\$1,097,574</u>	<u>\$268,977</u>

See Accompanying Notes to the General-Purpose Financial Statements

Governmental Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$235,559	\$189,235	\$2,015,869
		581,780
23,959	87,692	3,113,934
	2,161	128,443
		14,476
		139,764
		40,015
		28,520
<u>259,518</u>	<u>279,088</u>	<u>6,062,801</u>
	4,726	2,324,184
		595,433
		207,151
		49,007
		232,778
		220,600
		8,898
		579,717
4,108	3,334	159,332
		400,890
		334,854
	9,000	22,690
		280,021
	186,338	186,338
	18,000	18,000
95,000	5,662	100,662
156,186	1,158	157,344
<u>255,294</u>	<u>228,218</u>	<u>5,877,899</u>
<u>4,224</u>	<u>50,870</u>	<u>184,902</u>
		66,543
		(66,543)
4,224	50,870	184,902
70,602	(10,173)	1,298,275
		(1,103)
<u>\$74,826</u>	<u>\$40,697</u>	<u>\$1,482,074</u>

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual Comparison
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$1,590,660	\$1,587,213	(\$3,447)
Income Taxes	540,330	569,133	28,803
Intergovernmental	2,635,278	2,706,358	71,080
Interest	94,000	126,379	32,379
Tuition and Fees	10,200	20,513	10,313
Extracurricular Activities			
Gifts and Donations		400	400
Miscellaneous	2,300	2,026	(274)
Total Revenues	<u>4,872,768</u>	<u>5,012,022</u>	<u>139,254</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,257,860	2,256,970	890
Special	514,583	514,543	40
Vocational	206,098	205,697	401
Other	49,007	49,007	
Support Services:			
Pupils	151,648	151,399	249
Instructional Staff	197,432	194,724	2,708
Board of Education	11,304	8,498	2,806
Administration	511,136	509,059	2,077
Fiscal	149,102	149,088	14
Operation and Maintenance of Plant	404,656	404,559	97
Pupil Transportation	337,955	332,294	5,661
Central	14,218	13,548	670
Extracurricular Activities	141,804	140,574	1,230
Capital Outlay			
Intergovernmental			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>4,946,803</u>	<u>4,929,960</u>	<u>16,843</u>
Excess of Revenues Over (Under) Expenditures	<u>(74,035)</u>	<u>82,062</u>	<u>156,097</u>
Other Financing Sources (Uses):			
Other Financing Sources			
Refund of Prior Year Expenditures	250	23,474	23,224
Refund of Prior Year Receipts	(500)		500
Advances In		42,000	42,000
Advances Out			
Operating Transfers In			
Operating Transfers Out	(66,550)	(66,543)	7
Total Other Financing Sources (Uses)	<u>(66,800)</u>	<u>(1,069)</u>	<u>65,731</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(140,835)	80,993	221,828
Fund Balances at Beginning of Year	1,085,853	1,085,853	
Prior Year Encumbrances Appropriated	76,049	76,049	
Fund Balances at End of Year	<u>\$1,021,067</u>	<u>\$1,242,895</u>	<u>\$221,828</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$234,925	\$235,128	\$203
\$227,197	\$228,541	\$1,344	23,000	23,959	959
1,074	1,127	53			
140,187	138,943	(1,244)			
31,423	39,615	8,192			
<u>399,881</u>	<u>408,226</u>	<u>8,345</u>	<u>257,925</u>	<u>259,087</u>	<u>1,162</u>
69,131	49,290	19,841			
88,726	71,444	17,282			
67,396	67,396				
14,075	10,422	3,653			
60,734	61,728	(994)			
1,195	548	647	4,250	4,108	142
139,253	139,240	13			
3,434	3,434				
			95,000	95,000	
			156,186	156,186	
<u>443,944</u>	<u>403,502</u>	<u>40,442</u>	<u>255,436</u>	<u>255,294</u>	<u>142</u>
<u>(44,063)</u>	<u>4,724</u>	<u>48,787</u>	<u>2,489</u>	<u>3,793</u>	<u>1,304</u>
2,000	1,996	(4)			
2,000	(17,000)	(17,000)			
	66,543	64,543			
<u>4,000</u>	<u>51,539</u>	<u>47,539</u>			
(40,063)	56,263	96,326	2,489	3,793	1,304
161,244	161,244		52,809	52,809	
22,191	22,191				
<u>\$143,372</u>	<u>\$239,698</u>	<u>\$96,326</u>	<u>\$55,298</u>	<u>\$56,602</u>	<u>\$1,304</u>

(Continued)

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual Comparison
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$187,962	\$188,774	\$812
Income Taxes			
Intergovernmental	87,692	87,692	
Interest		2,161	2,161
Tuition and Fees			
Extracurricular Activities			
Gifts and Donations			
Miscellaneous			
Total Revenues	<u>275,654</u>	<u>278,627</u>	<u>2,973</u>
Expenditures:			
Current:			
Instruction:			
Regular	63,387	69,866	(6,479)
Special			
Vocational			
Other			
Support Services:			
Pupils			
Instructional Staff	2,000	1,936	64
Board of Education			
Administration	800		800
Fiscal	4,400	3,487	913
Operation and Maintenance of Plant	9,500	8,254	1,246
Pupil Transportation	16,554	18,554	(2,000)
Central	27,000	9,000	18,000
Extracurricular Activities	10,751	5,751	5,000
Capital Outlay	159,634	113,728	45,906
Intergovernmental		18,000	(18,000)
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>294,026</u>	<u>248,576</u>	<u>45,450</u>
Excess of Revenues Over (Under) Expenditures	<u>(18,372)</u>	<u>30,051</u>	<u>48,423</u>
Other Financing Sources (Uses):			
Other Financing Sources			
Refund of Prior Year Expenditures			
Refund of Prior Year Receipts			
Advances In			
Advances Out		(25,000)	(25,000)
Operating Transfers In			
Operating Transfers Out			
Total Other Financing Sources (Uses)		<u>(25,000)</u>	<u>(25,000)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(18,372)	5,051	23,423
Fund Balances at Beginning of Year	9,247	9,247	
Prior Year Encumbrances Appropriated	73,011	73,011	
Fund Balances at End of Year	<u>\$63,886</u>	<u>\$87,309</u>	<u>\$23,423</u>

See Accompanying Notes to the General-Purpose Financial Statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,013,547	\$2,011,115	(\$2,432)
540,330	569,133	28,803
2,973,167	3,046,550	73,383
95,074	129,667	34,593
10,200	20,513	10,313
140,187	138,943	(1,244)
31,423	40,015	8,592
2,300	2,026	(274)
5,806,228	5,957,962	151,734
2,390,378	2,376,126	14,252
603,309	585,987	17,322
206,098	205,697	401
49,007	49,007	
219,044	218,795	249
213,507	207,082	6,425
11,304	8,498	2,806
572,670	570,787	1,883
158,947	157,231	1,716
414,156	412,813	1,343
354,509	350,848	3,661
41,218	22,548	18,670
291,808	285,565	6,243
159,634	113,728	45,906
3,434	21,434	(18,000)
95,000	95,000	
156,186	156,186	
5,940,209	5,837,332	102,877
(133,981)	120,630	254,611
2,000	1,996	(4)
250	23,474	23,224
(500)		500
	42,000	42,000
	(42,000)	(42,000)
2,000	66,543	64,543
(66,550)	(66,543)	7
(62,800)	25,470	88,270
(196,781)	146,100	342,881
1,309,153	1,309,153	
171,251	171,251	
\$1,283,623	\$1,626,504	\$342,881

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**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Fund Equity
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
Operating Revenues:			
Sales	\$158,701		\$158,701
Interest		\$1,387	1,387
Gifts and Donations		1,300	1,300
Other Operating Revenues	2,875		2,875
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	161,576	2,687	164,263
Operating Expenses:			
Salaries	80,547		80,547
Fringe Benefits	44,987		44,987
Purchased Services	1,811		1,811
Materials and Supplies	9,318		9,318
Cost of Sales	114,480		114,480
Depreciation	9,356		9,356
Other Operating Expenses		2,125	2,125
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	260,499	2,125	262,624
Operating Income (Loss)	<hr/>	<hr/>	<hr/>
	(98,923)	562	(98,361)
Non-Operating Revenues:			
Federal Donated Commodities	16,982		16,982
Operating Grants	35,715		35,715
Interest	716		716
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues	53,413		53,413
Net Income (Loss)	<hr/>	<hr/>	<hr/>
	(45,510)	562	(44,948)
Retained Earnings/Fund Balance at Beginning of Year	<hr/>	<hr/>	<hr/>
	24,609	22,663	47,272
Retained Earnings (Deficit)/Fund Balance at End of Year	<hr/>	<hr/>	<hr/>
	(20,901)	23,225	2,324
Contributed Capital at Beginning and End of Year	<hr/>	<hr/>	<hr/>
	178,350		178,350
Total Fund Equity at End of Year	<hr/> \$157,449 <hr/>	<hr/> \$23,225 <hr/>	<hr/> \$180,674 <hr/>

See Accompanying Notes to the General-Purpose Financial Statements

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (Non-GAAP Budgetary Basis) and Actual Comparison
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$167,026	\$166,498	(\$528)
Interest	800	716	(84)
Gifts and Donations			
Operating Grants	41,000	40,763	(237)
Total Revenues	208,826	207,977	(849)
Expenses:			
Salaries	79,700	76,894	2,806
Fringe Benefits	42,305	43,389	(1,084)
Purchased Services	950	1,811	(861)
Materials and Supplies	104,336	103,268	1,068
Capital Outlay	5,458	6,437	(979)
Other Expenses			
Total Expenses	232,749	231,799	950
Excess of Revenues Over (Under) Expenses	(23,923)	(23,822)	101
Fund Balances at Beginning of Year	44,143	44,143	
Prior Year Encumbrances Appropriated	1,103	1,103	
Fund Balances at End of Year	\$21,323	\$21,424	\$101

See Accompanying Notes to the General-Purpose Financial Statements

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$167,026	\$166,498	(\$528)
\$1,050	\$1,446	\$396	1,850	2,162	312
200	1,300	1,100	200	1,300	1,100
			41,000	40,763	(237)
1,250	2,746	1,496	210,076	210,723	647
			79,700	76,894	2,806
			42,305	43,389	(1,084)
			950	1,811	(861)
			104,336	103,268	1,068
			5,458	6,437	(979)
2,575	2,575		2,575	2,575	
2,575	2,575		235,324	234,374	950
(1,325)	171	1,496	(25,248)	(23,651)	1,597
22,604	22,604		66,747	66,747	
			1,103	1,103	
\$21,279	\$22,775	\$1,496	\$42,602	\$44,199	\$1,597

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
Increase (Decrease) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$166,498		\$166,498
Cash Received from Gifts and Donations		\$1,300	1,300
Cash Payments for Salaries	(76,894)		(76,894)
Cash Payments for Fringe Benefits	(43,389)		(43,389)
Cash Payments for Goods and Services	(104,049)		(104,049)
Cash Payments for Other Expenses		(2,125)	(2,125)
Net Cash Used for Operating Activities	<u>(57,834)</u>	<u>(825)</u>	<u>(58,659)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Cash Received from Operating Grants	40,763		40,763
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Cash Payments for Fixed Assets	(6,198)		(6,198)
<u>Cash Flows from Investing Activities:</u>			
Cash Received from Interest	716	1,446	2,162
Net Increase (Decrease) in Cash and Cash Equivalents	(22,553)	621	(21,932)
Cash and Cash Equivalents at Beginning of Year	45,246	22,604	67,850
Cash and Cash Equivalents at End of Year	<u>\$22,693</u>	<u>\$23,225</u>	<u>\$45,918</u>

Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:

Operating Income (Loss)	(\$98,923)	\$562	(\$98,361)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:</u>			
Depreciation	9,356		9,356
Donated Commodities Used During Year	16,982		16,982
Interest Reported as Operating Income		(1,387)	(1,387)
<u>Changes in Assets and Liabilities:</u>			
Decrease in Accounts Receivable	6,756		6,756
Increase in Prepaid Items	(360)		(360)
Decrease in Inventory Held for Resale	1,697		1,697
Increase in Accounts Payable	1,121		1,121
Increase in Accrued Wages and Benefits	983		983
Increase in Compensated Absences Payable	3,244		3,244
Increase in Intergovernmental Payable	1,310		1,310
Net Cash Used for Operating Activities	<u>(\$57,834)</u>	<u>(\$825)</u>	<u>(\$58,659)</u>

Reconciliation of Nonexpendable Trust Fund Cash and Cash Equivalents to Balance Sheet:

Cash and Cash Equivalents - All Fiduciary Fund Types	\$57,612
Less Agency Funds	(34,387)
Cash and Cash Equivalents - Nonexpendable Trust Fund	<u>\$23,225</u>

See Accompanying Notes to the General-Purpose Financial Statements

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred thirteen square miles and is located in Hancock, Putnam, and Wood Counties. The School District is the 525th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-two classified employees, sixty-three certified teaching personnel, and four administrative employees who provide services to eight hundred twenty-seven students and other community members. The School District currently operates an elementary/high school and a middle school.

Reporting Entity

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

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

The School District participates in three jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Cooperative Career Center, Northwestern Ohio Educational Research Council, Inc., Hancock County Schools Health Benefit Fund and Trust, NOACSC Workers' Compensation Group Rating Plan, and the McComb Community Library. Information about these organizations is presented in Notes 21, 22, and 23 to the combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

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

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. For the School District, this includes a nonexpendable trust fund and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund type and nonexpendable trust fund are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund type and nonexpendable trust fund.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise 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, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund and function level in the General Fund and the fund level within all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level within the General Fund, and the function and object level in all other funds are made by the School District Treasurer.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are flow through grants in which the Hancock County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Hancock County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2001.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures in the General Fund, and the fund level of expenditures within all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds and funds held by the Hancock County Educational Service Center, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

and reported in the notes to the financial statements for the proprietary fund type and nonexpendable trust fund.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents held for the School District by the Hancock County Educational Service Center and Ohio Bank, who services the School District's bond/coupon account, are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents".

During fiscal year 2001, investments were limited to nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001 was \$125,155, which included \$22,944 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

Inventory in the governmental funds is stated at cost while inventory in the proprietary funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory in the proprietary funds consists of donated and purchased food and is expensed when used.

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by State statute to be set aside to create a reserve for budget stabilization.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of two hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary funds is computed using the straight-line method over an estimated useful life of six to twenty years.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables". Long-term interfund loans are classified as "Advances to/from Other Funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

J. 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 that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than sixty days after fiscal year end are not considered to have been paid using current available expendable resources. Capital leases and bonds are reported as liabilities in the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate fund.

L. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1994, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

M. Fund Balance Reserves and Designations

The School 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. Fund balance designations are established to indicate tentative plans for financial resource utilization in future periods. Unreserved, undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, inventories of materials and supplies, budget stabilization, advances, contributions, 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. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for contributions signifies legal restrictions on the use of principal in the nonexpendable trust fund.

The designation for termination benefits represents resources set aside for the payment of termination benefits upon retirement.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. 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.

P. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

NOTE 4 - CORRECTION OF AN ERROR AND RESTATEMENT OF FUND EQUITY

Due to an error in the recording of a liability in the prior fiscal year, the fund balance in the capital projects funds was understated at June 30, 2000. As a result of the restatement, the deficit fund balance at fiscal year end decreased \$21,448, from (\$31,621) to (\$10,173).

NOTE 5 - ACCOUNTABILITY

The Title VI-R special revenue fund and the Permanent Improvement capital projects fund had deficit fund balances of \$364 and \$2,310, respectively, at June 30, 2001. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Food Service enterprise fund had deficit retained earnings of \$20,928 at June 30, 2001, due to expenses exceeding the charges for meals. The School District is reviewing the operation of this fund.

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

NOTE 6 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund Type and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type and nonexpendable trust fund (GAAP basis).
4. For proprietary funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Although not part of the appropriated budget, the Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$17,555	\$112,253	\$4,224	\$50,870
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2000, Received in Cash FY 2001	295,967	2,261	17,793	13,320
Accrued FY 2001, Not Yet Received in Cash	(304,434)	(25,020)	(18,224)	(13,781)
Expenditure Accruals:				
Accrued FY 2000, Paid in Cash FY 2001	(535,789)	(17,390)		(5,751)
Accrued FY 2001, Not Yet Paid in Cash	588,429	37,784		4,726
Cash Adjustments:				
Unrecorded Activity FY 2000	118			
Unrecorded Activity FY 2001	(134)			

(Continued)

**McCOMB LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

(Continued)

	General	Special Revenue	Debt Service	Capital Projects
Prepaid Items	(3,483)	(264)		
Advances In	42,000			
Advances Out		(17,000)		(25,000)
Excess of Revenues Over Expenditures for Nonbudgeted Funds		(796)		
Encumbrances Outstanding at Year End (Budget Basis)	(19,236)	(35,565)		(19,333)
Budget Basis	<u>\$80,993</u>	<u>\$56,263</u>	<u>\$3,793</u>	<u>\$5,051</u>

Net Income (Loss)/Excess of Revenues
Over (Under) Expenses
Proprietary Fund Type and Nonexpendable Trust Fund

	Enterprise	Nonexpendable Trust
GAAP Basis	(\$45,510)	\$562
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued FY 2000, Received in Cash FY 2001	14,913	59
Accrued FY 2001, Not Yet Received in Cash	(3,109)	
Expense Accruals:		
Accrued FY 2000, Paid in Cash FY 2001	(25,762)	
Accrued FY 2001, Not Yet Paid in Cash	32,420	
Prepaid Items	(360)	
Inventory Held for Resale	1,697	
Acquisition of Fixed Assets	(6,198)	
Depreciation Expense	9,356	
Encumbrances Outstanding at Year End (Budget Basis)	(1,269)	(450)
Budget Basis	<u>(\$23,822)</u>	<u>\$171</u>

NOTE 7 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two 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.

**McCOMB LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 the 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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

At fiscal year end, the School District had \$7,045 in cash and cash equivalents held by the Hancock County Educational Service Center. The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

**McCOMB LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

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 School District's deposits was \$1,132,224 and the bank balance was \$1,294,449. Of the bank balance, \$200,000 was covered by federal depository insurance and \$1,094,449 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School 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 School 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 School District's name. The School 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, 2001, the fair value of funds on deposit with STAR Ohio was \$663,997.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on the 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 classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,803,266	
Cash and Cash Equivalents with Educational Service Center	(7,045)	
Investments:		
STAR Ohio	(663,997)	663,997
GASB Statement No. 3	\$1,132,224	\$663,997

NOTE 8 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes received in calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, 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

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

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 received in calendar year 2001 were levied after April 1, 2001, on the assessed values as of December 31, 2000, 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 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the value as of December 31, 2000. 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 School District receives property taxes from Hancock, Putnam, and Wood Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 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, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$114,877 in the General Fund, \$18,224 in the Bond Retirement debt service fund, and \$13,781 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2000, was \$111,015 in the General Fund, \$17,793 in the Bond Retirement debt service fund, and \$13,320 in the Permanent Improvement capital projects fund.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$47,685,890	65.29%	\$48,227,870	66.12%
Industrial/Commercial	6,477,550	8.87%	6,470,460	8.87%
Public Utility	5,228,710	7.16%	5,041,540	6.91%
Tangible Personal	13,645,904	18.68%	13,202,607	18.10%
Total Assessed Value	<u>\$73,038,054</u>	<u>100.00%</u>	<u>\$72,942,477</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$35.36</u>		<u>\$35.46</u>	

NOTE 9 - INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1984, and is for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file

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For the Fiscal Year Ended June 30, 2001
(Continued)**

an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 10 - RECEIVABLES

Receivables at June 30, 2001, consisted of both property and income taxes, accounts (student fees and billings for user charged services), intergovernmental, interfund, 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. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$24,190. Intergovernmental receivables were recorded in the General Fund, in the amount of \$916, and in the Title I special revenue fund, in the amount of \$75,000, for grants.

NOTE 11 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$231,324
Less Accumulated Depreciation	<u>(71,083)</u>
Net Fixed Assets	<u><u>\$160,241</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$276,568	\$950	\$12,438	\$265,080
Buildings and Improvements	4,366,110	111,688		4,477,798
Furniture, Fixtures, and Equipment	1,666,122	111,630	11,431	1,766,321
Books	466,418	22,830		489,248
Vehicles	527,203	114,321	51,506	590,018
Totals	<u><u>\$7,302,421</u></u>	<u><u>\$361,419</u></u>	<u><u>\$75,375</u></u>	<u><u>\$7,588,465</u></u>

NOTE 12 - INTERFUND ASSETS/LIABILITIES

At June 30, 2001, the General Fund had an interfund receivable and the Title VI special revenue fund had an interfund payable, in the amount of \$1,500.

At June 30, 2001, the General Fund had an advance to other funds and the Permanent Improvement capital projects fund had an advance from other funds, in the amount of \$75,000.

NOTE 13 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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(Continued)**

Coverage provided by Utica National Insurance Group is as follows:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$21,522,822
Inland Marine Coverage (\$100 - \$250 deductible)	2,500 - 500,000
Data Processing (\$100 - \$500 deductible)	185,000
Employee Dishonesty - per loss	100,000
Commercial Crime	25,000

Coverage provided by Nationwide/Wausau Insurance is as follows:

Automobile Liability	2,000,000
Uninsured Motorists	2,000,000
Medical Payments - per person	3,000
General School District Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000
Umbrella Liability Insurance	2,000,000
Employee Benefits Liability	
Per Occurrence	2,000,000
Total per Year	2,000,000

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 School District participates in the Hancock County Schools Health Benefit Fund and Trust (the 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 School District pays monthly premiums to the Trust for employee medical and dental 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 the withdrawal.

For fiscal year 2001, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The 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 premiums to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Gates McDonald and Company Compensation Services provides administrative, cost control and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$251,712, \$147,348, and \$137,934, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$41,010, is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$25,528, \$33,691, and \$42,307, respectively; 37 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$16,038, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 2001, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions

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and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement 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 shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$119,232.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. 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.

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$71,556 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 16 - 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 twenty days for all school personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of fifty-five days.

B. Health Care Benefits

The School District provides medical and dental 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

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the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

NOTE 17 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Interest Rate	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
FY 1998 School Improvement Bonds	5.19%	\$3,005,000		\$95,000	\$2,910,000
Compensated Absences Payable		365,959	\$27,632		393,591
Intergovernmental Payable		37,263	38,564	37,263	38,564
Capital Lease Payable		11,876		5,662	6,214
Total General Long-Term Obligations		\$3,420,098	\$66,196	\$137,925	\$3,348,369

FY 1998 School Improvement Bonds - On July 1, 1997, the School District issued \$3,250,000 in voted general obligation bonds for constructing, renovating, and adding to buildings. The bond issue included serial and term bonds, in the amount of \$1,705,000 and \$1,545,000, respectively. The bonds were issued for a twenty-one year period, with final maturity during fiscal year 2019.

The term bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption on December 1 in each of the years 2011 through 2017, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2011	\$185,000
2012	195,000
2013	205,000
2014	215,000
2015	185,000
2016	195,000
2017	205,000

The term bonds are also subject to prior redemption on or after December 1, 2007, by and at the sole option of the School District, either in whole on any date or in part on any payment date, in integral multiples of \$5,000, plus accrued interest to the redemption date:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2007 through November 30, 2008	101%
December 1, 2009 and thereafter	100%

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the Permanent Improvement capital projects fund.

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**Notes to the General-Purpose Financial Statements
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The School District's overall debt margin was \$3,729,649 with an unvoted debt margin of \$72,942 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$105,000	\$151,984	\$256,984
2003	110,000	147,360	257,360
2004	115,000	142,409	257,409
2005	120,000	137,150	257,150
2006	135,000	131,345	266,345
2007 - 2011	780,000	538,353	1,318,353
2012 - 2016	985,000	277,330	1,262,330
2017 - 2019	560,000	42,262	602,262
Totals	<u>\$2,910,000</u>	<u>\$1,568,193</u>	<u>\$4,478,193</u>

NOTE 18 - CAPITALIZED LEASE - LESSEE DISCLOSURE

The School District has entered into a capitalized lease for equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the combined financial statements for governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

The equipment acquired by lease has been capitalized in the general fixed assets account group, in the amount of \$18,696. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments were made in fiscal year 2001, in the amount of \$5,662.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	GLTOAG
2002	\$6,820
Less Amount Representing Interest	<u>(606)</u>
Present Value of Net Minimum Lease Payments	<u>\$6,214</u>

NOTE 19 - SET ASIDE REQUIREMENTS

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

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
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District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2000	(\$10,204)		\$36,278
Current Year Set Aside Requirement	112,306	\$112,306	
Legislative Reduction			(19,599)
Current Year Offset		(112,306)	
Qualifying Expenditures	<u>(124,234)</u>		
Amount Carried Forward to Fiscal Year 2002	<u>(\$22,132)</u>		<u>\$16,679</u>
Set Aside Reserve Balance June 30, 2001			<u>\$16,679</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance for the set asides at the end of the fiscal year was \$16,679.

NOTE 20 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the McComb Local School District as of and for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$161,576			\$161,576
Depreciation Expense	9,356			9,356
Operating Loss	(84,676)	(\$14,247)		(98,923)
Federal Donated Commodities	16,982			16,982
Operating Grants	35,715			35,715
Net Loss	(31,263)	(14,247)		(45,510)
Fixed Asset Additions	6,198			6,198
Fixed Asset Reductions	8,175			8,175
Net Working Capital	2,638		\$27	2,665
Total Assets	191,545		27	191,572
Total Equity	157,422		27	157,449
Encumbrances Outstanding at Year End (Budget Basis)	1,269			1,269

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Cooperative Career Center

The Millstream Cooperative Career Center (Career Center) is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. 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 appointed by 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, Pam Barber, who serves as treasurer, 227 South West Street, Findlay, Ohio 45840-3377.

C. Northwestern Ohio Educational Research Council, Inc.

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

NOTE 22 - INSURANCE POOLS

A. Hancock County Schools Health Benefit Fund and Trust

The Hancock County Schools Health Benefit Fund and Trust (the 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 the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which 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

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Committee and payment of the monthly premiums. Financial information can be obtained from Tim Smith, Ohio Benefits Group, 545 Pearl Street, Bowling Green, Ohio 43402.

B. NOACSC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool.

The Safety Coordinator, Robert Lotz 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.

NOTE 23 - RELATED ORGANIZATION

McComb Community Library - The McComb Community Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the McComb Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the McComb Community Library, Jackie Rader, who serves as treasurer, 113 South Todd Street, McComb, Ohio 45858.

NOTE 24 - CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

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

NOTE 25 - SUBSEQUENT EVENT

On August 8, 2001, the School District obtained a loan, in the amount of \$180,000, for various capital improvements. The loan was issued for a five year period and has an interest rate of 4.65 percent

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

NOTE 26 - STATE 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 School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

McComb Local School District
Hancock County
328 South Todd Street
P.O. Box 877
McComb, Ohio 45858

To the Board of Education

We have audited the financial statements of McComb Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 23, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 23, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 23, 2002.

McComb Local School District
Hancock County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

December 23, 2002

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10232-001	ORC § 5705.41(D) expenditures in excess of appropriations	Yes	



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OFFICE OF THE AUDITOR

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McCOMB 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
JANUARY 28, 2003**