



**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

McComb Local School District
Hancock County
328 S. Todd Street
McComb, Ohio 45858-0877

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McComb Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

As discussed in Note 3 to the basic financial statements the District changed its method of accounting from accounting principles generally accepted in the United States of America to the cash basis.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McComb Local School District, Hancock County, Ohio, as of June 30, 2007, and the respective changes in cash financial position and the budgetary comparison for the General and Severance Funds, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Mary Taylor, CPA
Auditor of State

April 2, 2009

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of the financial performance of McComb Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

- In total, net assets increased \$113,081.
- General revenues accounted for \$6,500,172, or 84 percent of all revenues. Program specific revenues accounted for \$1,260,219, or 16 percent of total revenues of \$7,760,391.
- The District's major funds are the General Fund and the Severance Fund. The General Fund had \$6,444,603 in revenues and other financing sources and \$6,366,345 in expenditures and other financing uses. The General Fund's balance increased \$78,258 from the prior fiscal year.
- The Severance Fund had \$40,000 in other financing sources and \$49,356 in expenditures. The Severance Fund's balance decreased \$9,356 from the prior fiscal year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2007
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(Continued)**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, all of the District activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, food services, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental funds are the General and Severance Fund.

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

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2007 on a cash basis. Net assets for 2006 are not presented as this is the District's first year reporting under the Other Comprehensive Basis of Accounting that utilizes a GASB 34 cash basis financial statement resemblance presentation. A comparative analysis will be provided in future years when prior year information is available.

**Table 1
Net Assets
Governmental Activities**

	<u>2007</u>
<u>Assets:</u>	
Current Assets	\$2,059,582
Total Assets	<u>\$2,059,582</u>
<u>Net Assets:</u>	
Restricted for Debt Service	92,461
Restricted for Capital Outlay	117,080
Restricted for Other Purposes	369,389
Unrestricted	1,480,652
Total	<u>\$2,059,582</u>

As mentioned previously, net assets of governmental activities increased \$113,081 or 6% during 2007. The primary reasons attributing to the increases is that the District received increases in intergovernmental and income tax revenue.

Table 2 reflects the changes in net assets on a cash basis for fiscal year 2007. This is the first year of implementation of the OCBOA 34 reporting format. Comparative figures are not available for fiscal year 2006. A comparative analysis will be provided in future years when prior year information is available.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2007
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**Table 2
Change in Net Assets
Governmental Activities**

	2007
Revenues:	
Program Revenues:	
Charges for Services and Sales	\$520,274
Operating Grants, Contributions and Interest	723,784
Capital Grants and Contributions	16,161
Total Program Revenues	<u>1,260,219</u>
General Revenues:	
Property Taxes	2,046,244
Income Taxes	978,769
Grants and Entitlements	3,267,703
Interest	132,087
Gifts and Donations	56,680
Miscellaneous	18,608
Refund of Expenditures	81
Total General Revenues	<u>6,500,172</u>
Total Revenues	<u>7,760,391</u>
Expenses:	
Instruction	4,367,351
Support Services:	
Pupils	334,787
Instructional Staff	243,550
Board of Education	31,501
Administration	649,055
Fiscal	205,882
Operation and Maintenance of Plant	542,966
Pupil Transportation	350,289
Central	23,324
Non-Instructional	256,294
Extracurricular Activities	282,637
Capital Outlay	74,399
Principal	159,952
Interest and Fiscal Charges	125,323
Total Expenses	<u>7,647,310</u>
Increase in Net Assets	<u>\$113,081</u>

Program receipts account for 16 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2007
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(Continued)**

The major program disbursements for governmental activities are for instruction, which accounts for 57 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 12 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 7 percent. The remaining 24 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities – cash basis reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. Comparisons to 2006 have not been presented since they are not available. A comparative analysis will be provided in future years when prior information is available.

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2007</u>	<u>2007</u>
Instruction	\$4,367,351	\$3,497,209
Support Services:		
Pupils	334,787	329,787
Instructional Staff	243,550	243,550
Board of Education	31,501	31,501
Administration	649,055	649,055
Fiscal	205,882	205,882
Operation and Maintenance of Plant	542,966	542,966
Pupil Transportation	350,289	325,947
Central	23,324	23,324
Non-Instructional	256,294	12,223
Extracurricular Activities	282,637	165,973
Capital Outlay	74,399	74,399
Principal	159,952	159,952
Interest and Fiscal Charges	125,323	125,323
Total Expenses	<u>\$7,647,310</u>	<u>\$6,387,091</u>

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds are the General fund and the Severance fund. Total governmental funds had revenues and other financing sources of \$7,810,391 and expenditures and other financing uses of \$7,697,310. The net change in fund balance in the General fund reflects an increase of \$78,258. This was primarily due to increases in intergovernmental revenues and income tax revenues greater than the decrease in property taxes.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2007, the District amended its General fund budget as needed.

Final estimated resources exceeded original estimated resources by \$320,210 due to expected increases in income tax revenue, intergovernmental revenue, tuition and fees, and miscellaneous revenues.

Final expenditures and other financing uses were budgeted at \$6,473,428 while actual expenditures and other financing uses were \$6,443,658. The \$29,770 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Debt

At June 30, 2007, the District had \$2,185,000 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-two year period, with final maturity on December 1, 2018. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2007, the District's overall legal debt margin was \$3,666,507, with an un-voted debt margin of \$63,974.

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

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. McComb is a small rural community of 1,656 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. Forty-eight percent of District revenue sources are from local funds, 46 percent is from state funds and the remaining 6 percent is from federal funds. The total expenditure per pupil was calculated at \$9,251.

In March 2004 the District passed a five-year additional ½% Income Tax beginning January 1, 2005, to generate approximately \$300,000 annually for five years. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Linda Clymer, Treasurer, McComb Local School District, 328 S Todd Street, P.O. Box 877, McComb, Ohio 45858-0877.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Net Assets - Cash Basis
June 30, 2007**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 2,059,582</u>
 NET ASSETS:	
Restricted for Debt Service	92,461
Restricted for Capital Outlay	117,080
Restricted for Other Purposes	369,389
Unrestricted	1,480,652
Total Net Assets	<u>\$ 2,059,582</u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2007**

	Cash Disbursements	Program Revenues			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 3,151,777	\$ 263,384	\$ 76,693	\$ 7,808	\$ (2,803,892)
Special	678,914		467,035		(211,879)
Vocational	250,521		55,222		(195,299)
Other	286,139				(286,139)
Support Services:					
Pupils	334,787		5,000		(329,787)
Instructional Staff	243,550				(243,550)
Board of Education	31,501				(31,501)
Administration	649,055				(649,055)
Fiscal	205,882				(205,882)
Operation and Maintenance of Plant	542,966				(542,966)
Pupil Transportation	350,289		15,989	8,353	(325,947)
Central	23,324				(23,324)
Operation of Non-Instructional Services	256,294	140,226	103,845		(12,223)
Extracurricular Activities	282,637	116,664			(165,973)
Capital Outlay	74,399				(74,399)
Debt Service:					
Principal	159,952				(159,952)
Interest and Fiscal Charges	125,323				(125,323)
Totals	<u>\$ 7,647,310</u>	<u>\$ 520,274</u>	<u>\$ 723,784</u>	<u>\$ 16,161</u>	<u>\$ (6,387,091)</u>

General Receipts:

Taxes:	
Property Taxes, Levied for General Purposes	1,619,191
Property Taxes, Levied for Capital Outlay	191,735
Property Taxes, Levied for Debt Service	235,318
Income Taxes	978,769
Grants and Entitlements not Restricted to Specific Programs	3,267,703
Gifts and Donations	56,680
Investment Earnings	132,087
Miscellaneous	18,608
Refund of Prior Year Expenditures	81
Total General Receipts	<u>6,500,172</u>
Change in Net Assets	113,081
Net Assets Beginning of Year - Restated	1,946,501
Net Assets End of Year	<u>\$ 2,059,582</u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2007**

	<u>General Fund</u>	<u>Severance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current Assets:				
	\$ 1,503,250	\$ 296,924	\$ 259,408	\$ 2,059,582
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 77,313		\$ 98,930	\$ 176,243
Reserved for Bus Purchases	22,598			22,598
Unreserved, Designated for:				
Designated for Severance		\$ 296,924		296,924
Unreserved, Undesignated, Reported in:				
General Fund	1,403,339			1,403,339
Special Revenue Funds			41,247	41,247
Debt Service Funds			92,461	92,461
Capital Projects Funds			26,770	26,770
Total Fund Balances	<u>\$ 1,503,250</u>	<u>\$ 296,924</u>	<u>\$ 259,408</u>	<u>\$ 2,059,582</u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Receipts, Disbursements, and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2007**

	<u>General Fund</u>	<u>Severance Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS:				
Property and Other Local Taxes	\$ 1,619,191		\$ 427,053	\$ 2,046,244
Income Tax	978,769			978,769
Intergovernmental	3,432,544		575,104	4,007,648
Interest	132,026		61	132,087
Tuition and Fees	260,360			260,360
Rent	844			844
Extracurricular Activities			116,664	116,664
Gifts and Donations			56,680	56,680
Customer Sales and Services	2,180		140,226	142,406
Miscellaneous	18,608			18,608
Total Receipts	<u>6,444,522</u>		<u>1,315,788</u>	<u>7,760,310</u>
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	2,944,015	\$ 48,025	159,737	3,151,777
Special	603,291		75,623	678,914
Vocational	250,521			250,521
Other	286,139			286,139
Support Services:				
Pupils	139,482		195,305	334,787
Instructional Staff	211,871		31,679	243,550
Board of Education	31,501			31,501
Administration	605,951		43,104	649,055
Fiscal	196,450		9,432	205,882
Operation and Maintenance of Plant	537,957		5,009	542,966
Pupil Transportation	348,958	1,331		350,289
Central	10,324		13,000	23,324
Operation of Non-Instructional Services			256,294	256,294
Extracurricular Activities	149,885		132,752	282,637
Capital Outlay			74,399	74,399
Debt Service:				
Principal			159,952	159,952
Interest			125,323	125,323
Total Disbursements	<u>6,316,345</u>	<u>49,356</u>	<u>1,281,609</u>	<u>7,647,310</u>
Excess of Receipts Over (Under) Disbursements	<u>128,177</u>	<u>(49,356)</u>	<u>34,179</u>	<u>113,000</u>
OTHER FINANCING SOURCES AND (USES):				
Transfers In		40,000		40,000
Advances In			10,000	10,000
Refund of Prior Year Expenditures	81			81
Transfers Out	(40,000)			(40,000)
Advances Out	(10,000)			(10,000)
Total Other Financing Sources and (Uses)	<u>(49,919)</u>	<u>40,000</u>	<u>10,000</u>	<u>81</u>
Net Change in Fund Balances	78,258	(9,356)	44,179	113,081
Fund Balance at Beginning of Year - Restated	1,424,992	306,280	215,229	1,946,501
Fund Balance at End of Year	<u>\$ 1,503,250</u>	<u>\$ 296,924</u>	<u>\$ 259,408</u>	<u>\$ 2,059,582</u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Receipts, Disbursements, and Changes
in Fund Balances - Budget and Actual - Budget Basis**

GENERAL FUND

For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
RECEIPTS:				
Property and Other Local Taxes	\$ 1,698,079	\$ 1,619,191	\$ 1,619,191	
Income Tax	842,143	978,769	978,769	
Intergovernmental	3,319,234	3,442,281	3,432,544	\$ (9,737)
Interest	65,304	132,026	132,026	
Tuition and Fees	182,159	250,623	260,360	9,737
Rent	1,060	844	844	
Customer Sales and Services	1,900	2,180	2,180	
Miscellaneous	14,433	18,608	18,608	
Total Receipts	<u>6,124,312</u>	<u>6,444,522</u>	<u>6,444,522</u>	
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	2,924,717	2,961,120	2,947,035	14,085
Special	682,065	617,402	622,700	(5,298)
Vocational	259,079	267,793	251,628	16,165
Other	242,650	253,515	295,343	(41,828)
Support Services:				
Pupils	141,845	141,674	140,129	1,545
Instructional Staff	248,388	209,775	213,411	(3,636)
Board of Education	11,549	31,020	36,076	(5,056)
Administration	646,270	627,781	608,186	19,595
Fiscal	194,772	202,053	197,104	4,949
Operation and Maintenance of Plant	569,429	578,777	545,329	33,448
Pupil Transportation	377,093	390,372	376,138	14,234
Central	14,940	17,200	10,694	6,506
Operation of Non-Instructional Services	1,160	1,100		1,100
Extracurricular Activities	155,088	158,846	149,885	8,961
Total Disbursements	<u>6,469,045</u>	<u>6,458,428</u>	<u>6,393,658</u>	<u>64,770</u>
Excess of Receipts Over (Under) Disbursements	<u>(344,733)</u>	<u>(13,906)</u>	<u>50,864</u>	<u>64,770</u>
Other Financing Sources and (Uses):				
Refund of Prior Year Expenditures		81	81	
Transfers Out	(7,076)	(10,000)	(40,000)	(30,000)
Advances Out	(8,160)	(5,000)	(10,000)	(5,000)
Total Other Financing Sources and (Uses)	<u>(15,236)</u>	<u>(14,919)</u>	<u>(49,919)</u>	<u>(35,000)</u>
Net Change in Fund Balances	(359,969)	(28,825)	945	29,770
Fund Balance at Beginning of Year	1,401,909	1,401,909	1,401,909	
Prior Year Encumbrances Appropriated	23,083	23,083	23,083	
Fund Balance at End of Year	<u>\$ 1,065,023</u>	<u>\$ 1,396,167</u>	<u>\$ 1,425,937</u>	<u>\$ 29,770</u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Receipts, Disbursements, and Changes
in Fund Balances - Budget and Actual - Budget Basis
SEVERANCE FUND**

For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	\$ 34,260	\$ 48,209	\$ 48,025	\$ 184
Support Services:				
Operation and Maintenance of Plant		731		731
Pupil Transportation		1,529	1,331	198
Total Disbursements	34,260	50,469	49,356	1,113
Excess of Disbursements Over Receipts	(34,260)	(50,469)	(49,356)	1,113
Other Financing Sources:				
Transfers In	10,000	40,000	40,000	
Net Change in Fund Balances	(24,260)	(10,469)	(9,356)	1,113
Fund Balance at Beginning of Year	306,280	306,280	306,280	
Fund Balance at End of Year	\$ 282,020	\$ 295,811	\$ 296,924	\$ 1,113

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2007**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 27,443</u>	<u>\$ 34,103</u>
 Net Assets:		
Undistributed Assets		\$ 919
Held for Student Activities		33,184
Held in Trust for Scholarships	<u>\$ 27,443</u>	
Total Net Assets	<u>\$ 27,443</u>	<u>\$ 34,103</u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2007**

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and Contributions	\$ 500
Interest	<u>47</u>
Total Additions	<u>547</u>
Change in Net Assets	547
Net Assets Beginning of Year	<u>26,896</u>
Net Assets End of Year	<u><u>\$ 27,443</u></u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The McComb Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's four instructional/support facilities staffed by 28 classified employees and 68 certified teaching personnel, who provide services to 712 students and other community members.

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

C. Jointly Governed Organizations and Purchasing Pools

The District participates in four jointly governed organizations and three insurance pools, and is associated with a related organization. These organizations include the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, the Northwestern Ohio Educational Research Council, Inc., Northwest Ohio Special Education Regional Resource Center, Hancock County Schools Health Benefit Fund, Sheakley Uniservice, Inc., and the McComb Community Library. Information about these organizations is presented in Notes 15, 16, and 17 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a basis or draws from the District's general receipts.

2. Fund Financial Statements

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Fund Accounting

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

1. Governmental Funds:

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other non-exchange transactions as governmental funds. The General fund and the Severance fund are the District's major governmental funds:

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

Severance Fund - the Severance fund is a termination of benefits fund in which cash may be accumulated for paying termination benefits. Cash is transferred from the General Fund to the Severance Fund according to board policy.

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

2. Fiduciary Funds

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

C. Basis of Accounting

Although the Ohio Administrative Code § 117-2-03(B) requires that the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

D. Budgetary Process

The budgetary process is prescribed by provision of the Ohio Revised Code and entails the preparation of budgetary documents within established timetable. All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all 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 at the function and object level within all other funds are made by the District's Chief Fiscal Officer.

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

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Cash

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

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

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the following funds in fiscal year 2007, was \$132,026, for the General Fund and \$61 to other funds.

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted cash in the General fund includes amounts state statute requires to be set aside for bus purchases.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-term Obligations

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

N. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. There were no amounts restricted by enabling legislation.

O. Fund Balance Reserves

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and bus purchase.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

P. Interfund Transactions

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

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

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCE

A. Change in Basis of Accounting

For 2007, the District ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 2C.

B. Restatement of Fund Equity

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the District as they were previously reported. The effects on net assets of governmental activities are also presented.

	General Fund	Severance Fund	Other Governmental Funds
Fund Balance June 30, 2006	\$1,285,760	\$274,463	\$142,595
Eliminate Asset Accruals	(2,421,800)		(526,596)
Eliminate Liability Accruals	2,561,032	31,817	599,230
Adjusted Fund Balance June 30, 2006	<u>\$1,424,992</u>	<u>\$306,280</u>	<u>\$215,229</u>

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCE –
(Continued)**

Governmental Activities Net Assets June 30, 2006	\$3,500,078
Eliminate Government-Wide Financial Statement Adjustments:	
Cash and Cash Equivalents with Fiscal Agents	(15,144)
Accounts Receivable	(802)
Accrued Interest Receivable	(40,499)
Intergovernmental Receivable	(17,280)
Prepaid Items	(64,276)
Material and Supplies Inventory	(22,158)
Income Taxes Receivable	(414,322)
Property Taxes Receivable	(2,285,915)
Capital Assets	(4,369,895)
Accounts Payable	42,359
Accrued Wages and Benefits Payable	590,186
Intergovernmental Payable	151,752
Matured Compensated Absences Payable	54,078
Matured Bonds Payable	15,000
Matured Interest Payable	144
Deferred Revenue	2,090,328
Long Term Liabilities	2,732,867
Adjusted Governmental Activities Net Assets June 30, 2006	\$1,946,501

4. COMPLIANCE

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

5. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General and Severance funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The General fund encumbrances outstanding at year end (budgetary basis) amounted to \$77,313. There were no encumbrances outstanding at year end in the Severance fund.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

6. DEPOSITS AND INVESTMENTS – (Continued)

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated either of the two highest classifications by at least two nationally recognized rating agencies.

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

At year end, the District had \$350 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,312,722 of the District's bank balance of \$2,266,614 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

7. PROPERTY TAXES

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

7. PROPERTY TAXES – (Continued)

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes for 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2007 were levied after April 1, 2006, on the assessed values as of December 31, 2005, 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 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes for 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Hancock County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$54,067,350	72%	\$55,246,610	77%
Industrial/Commercial	6,924,330	9%	6,930,700	10%
Public Utility	3,673,330	5%	3,588,280	5%
Tangible Personal	10,930,151	14%	5,770,272	8%
Total Assessed Value	<u>\$75,595,161</u>	<u>100%</u>	<u>\$71,535,862</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$35.14		\$35.30	

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

8. INCOME TAX

The District levies voted tax of 1 1/2 percent for general operations on the income of residents and of estates. The 1 percent tax was effective on January 1, 1984, and is a continuing tax and the additional 1/2 percent tax was effective on January 1, 2005, and is for a 5 year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the District contracted for the following insurance coverage:

Coverage provided by Phelan Insurance Agency is as follows:

Buildings and Contents (\$2,500 deductible)	\$22,269,315
Crime – Employee Dishonesty & Forgery (\$500 deductible)	50,000
Audio Visual Equipment (\$500 deductible)	51,300
Data Processing Equipment (\$500 deductible)	214,660
Contractor’s Equipment (\$500 deductible)	19,260
Musical Instruments (\$500 deductible)	133,800
** Also See School Extension Endorsements	
Umbrella - Each Occurrence (covers liability, auto, and property)	3,000,000
Umbrella Annual Aggregate (covers liability, auto, and property)	3,000,000
Automobile Liability	1,000,000
Automobile Medical Payments	5,000
Uninsured Motorist/Underinsured Motorist	1,000,000
Hired & Non-Owned Liability	1,000,000
General School District Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Employees Benefits Liability	
Per Occurrence	1,000,000
Aggregate (\$1,000 deductible – Claims Made)	3,000,000
Employers Liability	1,000,000
Errors and Omissions Liability (\$2,500 deductible)	1,000,000

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

9. RISK MANAGEMENT – (Continued)

For fiscal year 2007, the District participated in the Ohio School Plan (the Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The District participates in the Hancock County Schools Health Benefit Fund (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 District pays monthly premiums to the Trust for employee medical and dental insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2007, the District participated in the Sheakley Workers' Compensation Group Rating Program, an insurance purchasing pool. The program is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the program.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 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, 2007, 2006, and 2005, was \$103,199, \$105,389, and \$101,340, respectively; 46 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

10. DEFINED BENEFIT PENSION PLANS – (Continued)

B. 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 to members and death and survivor benefits to 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.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 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 for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005, was \$446,400, \$455,628, and \$434,369, respectively; 84 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$4,983 made by the School District and \$4,746 made by plan members.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

10. DEFINED BENEFIT PENSION PLANS – (Continued)

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, 2007, three of the Board members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. 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 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.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All 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 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$31,886.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 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. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$55,884 for fiscal year 2007.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

11. POSTEMPLOYMENT BENEFITS – (Continued)

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 at June 30, 2006 (the latest available information), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2007, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2007, 2006, and 2005, were \$4,968, \$4,338, and \$4,260, respectively; equal to the required contributions for each year.

12. 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 five days of vacation per year, after their first year with the District. Accumulated unused vacation time is not paid to classified employees and but may be paid to administrators upon termination of employment. Teachers and administrators, who are not on a twelve-month contract, 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-five days for all employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of fifty-six and ¼ days.

B. Health Care Benefits

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

13. LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2007 were as follows:

	Balance at 6/30/06	Additions	Deductions	Balance at 6/30/07	Due Within One Year
Loan Payable	\$19,952		\$19,952		
FY 1998 School Improvement Bonds	2,325,000		140,000	\$2,185,000	\$145,000
Total	\$2,344,952		\$159,952	\$2,185,000	\$145,000

Loan Payable – On August 8, 2001, the District obtained a loan, in the amount of \$180,000, for various capital improvements. The loan has an interest rate of 4.65 percent. The loan matured on August 8, 2006.

FY 1998 School Improvement Bonds – On July 1, 1997, the 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 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 Date (Dates Inclusive)	Redemption Prices
December 1, 2007 through November 30, 2008	101%
December 1, 2009 and thereafter	100%

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

13. LONG-TERM OBLIGATIONS – (Continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2007, were as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$145,000	\$118,216	\$263,216
2009	155,000	109,503	264,503
2010	165,000	98,623	263,623
2011	175,000	87,063	262,063
2012	185,000	76,256	261,256
2013-2017	995,000	225,356	1,220,356
2018-2019	365,000	17,981	382,981
Total	\$2,185,000	\$732,998	\$2,918,998

14. INTERFUND RECEIVABLE/PAYABLES

An unpaid interfund cash advance at June 30, 2007, was as follows:

Interfund Payables		Interfund Receivables	
Special Revenue - Food Service Fund	\$98,000	General Fund	\$102,000
Agency - Yearbook Fund	4,000		
	\$102,000		\$102,000

15. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2007, the District paid \$16,302 to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

B. Millstream Career and Technology Center

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

C. 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.

D. Northwest Ohio Special Education Regional Resource Center

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

16. INSURANCE POOLS

A. Hancock County Schools Health Benefit Fund

The Hancock County Schools Health Benefit Fund (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 participants. The Administrative Committee of the Trust consists of the superintendent from each participating member. The Administrative Committee advises the trustee, Sky Bank, concerning aspects of the administration of the Trust.

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

B. Sheakley Uniservice, Inc.

The District is a member of the Sheakley Workers' Compensation Group Rating Program. The group-rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers. Each year, the District pays an enrollment fee to cover the costs of administering the program.

17. RELATED ORGANIZATION

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 District for operational subsidies. Although the 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.

18. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

18. SET-ASIDE CALCULATIONS AND FUND RESERVES – (Continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2006	(\$261,286)	
Current Year Set-aside Requirement	114,485	\$114,485
Qualifying Disbursements	(117,811)	(114,485)
Amount Carried Forward to Fiscal Year 2007	(\$264,612)	

The 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.

19. INTERFUND TRANSACTIONS

During the year ended June 30, 2007, the District transferred \$40,000 from the General fund a Major Governmental Fund to the Severance Fund another Major Governmental Fund.

During the year ended June 30, 2007, the District advanced \$10,000 from the General fund a Major Governmental Fund to a Non-major Governmental Fund.

20. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

B. Litigation

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

21. SUBSEQUENT EVENTS

On March 17, 2009 the District did an advance refunding of \$1,525,000 for a portion of the 1997 issued debt.



Mary Taylor, CPA

Auditor of State

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

McComb Local School District
Hancock County
328 S. Todd Street
McComb, Ohio 45858-0877

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McComb Local School District, Hancock County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 2, 2009, wherein, we noted the District changed its financial presentation from reporting in accordance with generally accepted accounting principles to reporting on the cash basis. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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www.auditor.state.oh.us

We consider finding 2007-002 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated April 2, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the finance committee, management, and the Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 2, 2009

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007**

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

FINDING NUMBER 2007-001

Noncompliance Finding

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty-days after the closing of the fiscal year. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in a cash format which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. In addition, the 2007 financial report was not filed with the auditor of state until January 2009. Pursuant to Ohio Revised Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to meet the filing requirements of the 2007 financial report. We recommend the District prepare its statements in accordance with accounting principles generally accepted in the United States of America and file it by the required date.

FINDING NUMBER 2007-002

Financial Reporting - Significant Deficiency

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The fiscal year 2007 financial statement contained the following errors:

- Open enrollment revenue in the amount of \$9,737 was adjusted as Tuition and Fees.
- Unrestricted assets in the amount of \$22,595 was adjusted as Restricted for Other Purposes and \$22,598 received for bus purchase was adjusted as Reserved for Bus Purchase.
- Statement of Activities program revenues and the related disbursements required five adjustments ranging in the amounts of \$9,737 to \$186,033.
- Additional note disclosures were required to report interfund advances not repaid and transfers between funds.
- The Deposit, Pension Plan and the Set-Aside note disclosures had incorrect information and amounts reports requiring modification.
- The Severance Fund designated balance was understated by \$37,298 and had to be adjusted.

To ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements by the Treasurer and the Board, to identify and correct errors and omissions. In addition, the Treasurer should review the USAS accounting system to ensure that all accounts are properly posted to the financial statements.

Officials Response:

The District determined it was more cost effective to prepare financial statements on a Cash basis and determined the costs of preparing reports on a generally accepted accounting principles (GAAP basis) far outweighed the benefits derived from these reports. The adjustments to the financial statements will be discussed with the compiler to prevent these adjustments in the future.



Mary Taylor, CPA
Auditor of State

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
MAY 7, 2009