



**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

McComb Local School District  
Hancock County  
328 South Todd Street  
P.O. Box 877  
McComb, Ohio 45858-0877

To the Board of Education:

We have audited the accompanying general-purpose financial statements of McComb Local School District, Hancock County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the McComb Local School District, Hancock County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Jim Petro**  
Auditor of State

January 30, 2001

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**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits:</b>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,182,151	\$76,051	\$46,287	\$82,191
Cash and Cash Equivalents with Fiscal Agents		8,644	15,144	
Receivables:				
Property Taxes	1,571,566		234,216	188,114
Income Taxes	159,922			
Accounts	8,898	2,266		
Intergovernmental	770			
Prepaid Items	38,369	830		
Materials and Supplies Inventory	2,872			
Inventory Held for Resale				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	15,848			
Fixed Assets (net, where applicable, of accumulated depreciation)				
<u>Other Debits:</u>				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Debt				
Amount Available in Special Revenue				
Fund for Payment of Termination Benefits				
Amount to be Provided from General Governmental Resources				
<b>Total Assets and Other Debits</b>	<b>\$2,980,396</b>	<b>\$87,791</b>	<b>\$295,647</b>	<b>\$270,305</b>



<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$48,805	\$46,540	\$0	\$0	\$1,482,025
				23,788
				1,993,896
				159,922
9,936				21,100
6,430				7,200
3,632				42,831
				2,872
4,015				4,015
				15,848
174,909		7,045,766		7,220,675
			58,714	58,714
			40,269	40,269
			3,381,328	3,381,328
<u>\$247,727</u>	<u>\$46,540</u>	<u>\$7,045,766</u>	<u>\$3,480,311</u>	<u>\$14,454,483</u>

(continued)

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 1999  
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Liabilities, Fund Equity, and Other Credits:</u></b>				
<u>Liabilities:</u>				
Accounts Payable	\$23,591	\$2,628	\$0	\$2,580
Contracts Payable				4,624
Retainage Payable				50,588
Accrued Wages and Benefits	503,208	16,977		
Compensated Absences Payable	7,047			
Intergovernmental Payable	106,422	3,020		
Deferred Revenue	1,490,869		221,789	178,282
Undistributed Assets				
Due to Students				
Capital Lease Payable				
Matured Bonds Payable			15,000	
Matured Interest Payable			144	
General Obligation Bonds Payable				
Total Liabilities	2,131,137	22,625	236,933	236,074
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Property Taxes	80,697		12,427	9,832
Reserved for Inventory	2,872			
Reserved for Budget Stabilization	15,848			
Reserved for Contributions				
Reserved for Encumbrances	10,502	4,501		10,505
Designated for Termination Benefits		40,269		
Unreserved, Undesignated	739,340	20,396	46,287	13,894
Total Fund Equity and Other Credits	849,259	65,166	58,714	34,231
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$2,980,396</b>	<b>\$87,791</b>	<b>\$295,647</b>	<b>\$270,305</b>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$0	\$0	\$0	\$0	\$28,799
				4,624
				50,588
15,851				536,036
2,893			328,159	338,099
9,932			38,456	157,830
2,988				1,893,928
	241			241
	25,309			25,309
			18,696	18,696
				15,000
				144
			3,095,000	3,095,000
<u>31,664</u>	<u>25,550</u>	<u>0</u>	<u>3,480,311</u>	<u>6,164,294</u>
		7,045,766		7,045,766
178,350				178,350
37,713				37,713
				102,956
				2,872
				15,848
	18,285			18,285
				25,508
				40,269
	2,705			822,622
<u>216,063</u>	<u>20,990</u>	<u>7,045,766</u>	<u>0</u>	<u>8,290,189</u>
<b><u>\$247,727</u></b>	<b><u>\$46,540</u></b>	<b><u>\$7,045,766</u></b>	<b><u>\$3,480,311</u></b>	<b><u>\$14,454,483</u></b>

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**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Revenues:</b>					
Property Taxes	\$1,581,154	\$0	\$237,986	\$190,904	\$2,010,044
Income Taxes	518,299				518,299
Intergovernmental	2,423,183	142,024	22,381	113,583	2,701,171
Interest	79,971	953		17,953	98,877
Tuition and Fees	8,990				8,990
Extracurricular Activities		81,301			81,301
Gifts and Donations	100	36,446			36,546
Miscellaneous	57,419	2,405			59,824
<b>Total Revenues</b>	<b>4,669,116</b>	<b>263,129</b>	<b>260,367</b>	<b>322,440</b>	<b>5,515,052</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	1,961,759	21,853		199,417	2,183,029
Special	355,784	69,191			424,975
Vocational	220,506				220,506
Other	42,555				42,555
<b>Support Services:</b>					
Pupils	104,368	26,650			131,018
Instructional Staff	184,319	22,828			207,147
Board of Education	9,954				9,954
Administration	558,626	36,369			594,995
Fiscal	129,805	3,469	3,970	15,444	152,688
Operation and Maintenance of Plant	367,752				367,752
Pupil Transportation	353,306				353,306
Central	13,797				13,797
Non-Instructional Services		48			48
Extracurricular Activities	117,920	83,556			201,476
Capital Outlay	62,614			973,778	1,036,392
<b>Debt Service:</b>					
Principal Retirement			80,000		80,000
Interest and Fiscal Charges			163,448		163,448
<b>Total Expenditures</b>	<b>4,483,065</b>	<b>263,964</b>	<b>247,418</b>	<b>1,188,639</b>	<b>6,183,086</b>
Excess of Revenues Over (Under) Expenditures	186,051	(835)	12,949	(866,199)	(668,034)
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	1,196				1,196
Inception of Capital Lease				18,696	18,696
Operating Transfers In		40,269			40,269
Operating Transfers Out	(47,269)				(47,269)
<b>Total Other Financing Sources (Uses)</b>	<b>(46,073)</b>	<b>40,269</b>	<b>0</b>	<b>18,696</b>	<b>12,892</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	139,978	39,434	12,949	(847,503)	(655,142)
Fund Balances at Beginning of Year	710,374	25,732	45,765	881,734	1,663,605
Decrease in Reserve for Inventory	(1,093)				(1,093)
<b>Fund Balances at End of Year</b>	<b>\$849,259</b>	<b>\$65,166</b>	<b>\$58,714</b>	<b>\$34,231</b>	<b>\$1,007,370</b>

See Accompanying Notes to the General Purpose Financial Statements

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$1,532,836	\$1,538,916	\$6,080	\$0	\$0	\$0
Income Taxes	492,331	521,616	29,285			0
Intergovernmental	2,132,815	2,430,083	297,268	130,597	89,751	(40,846)
Interest	60,000	79,956	19,956	1,096	953	(143)
Tuition and Fees	9,000	7,617	(1,383)			0
Extracurricular Activities			0	91,399	80,980	(10,419)
Gifts and Donations	100	100	0	25,306	36,446	11,140
Miscellaneous	685	1,694	1,009			0
Total Revenues	4,227,767	4,579,982	352,215	248,398	208,130	(40,268)
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	2,023,645	1,959,939	63,706	16,806	13,589	3,217
Special	368,220	351,494	16,726	88,795	65,474	23,321
Vocational	208,199	193,525	14,674			0
Other	44,000	43,801	199			0
Support Services:						
Pupils	108,435	105,975	2,460	1,692	1,643	49
Instructional Staff	193,952	185,349	8,603	10,879	7,820	3,059
Board of Education	10,812	10,096	716		0	0
Administration	573,294	550,376	22,918	42,277	33,025	9,252
Fiscal	137,888	130,488	7,400	3,455	2,942	513
Operation and Maintenance of Plant	384,828	366,621	18,207			0
Pupil Transportation	374,590	353,423	21,167			0
Central	14,175	14,144	31			0
Non-Instructional Services	500		500			0
Extracurricular Activities	120,975	118,199	2,776	86,916	84,172	2,744
Capital Outlay	61,000	59,952	1,048	1,200		1,200
Debt Service:						
Principal Retirement			0			0
Interest and Fiscal Charges			0			0
Total Expenditures	4,624,513	4,443,382	181,131	252,020	208,665	43,355
Excess of Revenues Over (Under) Expenditures	(396,746)	136,600	533,346	(3,622)	(535)	3,087
<u>Other Financing Sources (Uses):</u>						
Other Financing Sources			0	1,600	1,900	300
Proceeds from Sale of Fixed Assets	200	1,196	996			0
Refund of Prior Year Expenditures	6,980	51,859	44,879			0
Refund of Prior Year Receipts	(500)		500			0
Advances In	5,000	24,500	19,500	10,000	15,000	5,000
Advances Out	(23,000)	(23,000)	0	(16,500)	(16,500)	0
Operating Transfers In			0	40,269	40,269	0
Operating Transfers Out	(47,500)	(47,269)	231	0	0	0
Total Other Financing Sources (Uses)	(58,820)	7,286	66,106	35,369	40,669	5,300
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(455,566)	143,886	599,452	31,747	40,134	8,387
Fund Balances at Beginning of Year	885,731	885,731	0	21,638	21,638	0
Prior Year Encumbrances Appropriated	150,037	150,037	0	7,217	7,217	0
Fund Balances at End of Year	\$580,202	\$1,179,654	\$599,452	\$60,602	\$68,989	\$8,387

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$232,910	\$231,738	(\$1,172)	\$186,940	\$185,867	(\$1,073)	\$1,952,686	\$1,956,521	\$3,835
		0			0	492,331	521,616	29,285
20,000	22,381	2,381	112,511	113,583	1,072	2,395,923	2,655,798	259,875
		0	81,000	21,376	(59,624)	142,096	102,285	(39,811)
		0			0	9,000	7,617	(1,383)
		0			0	91,399	80,980	(10,419)
		0			0	25,406	36,546	11,140
		0			0	685	1,694	1,009
252,910	254,119	1,209	380,451	320,826	(59,625)	5,109,526	5,363,057	253,531
		0	399,060	283,592	115,468	2,439,511	2,257,120	182,391
		0			0	457,015	416,968	40,047
		0			0	208,199	193,525	14,674
		0			0	44,000	43,801	199
		0			0	110,127	107,618	2,509
		0	1,967	1,967	0	206,798	195,136	11,662
		0			0	10,812	10,096	716
		0	481	481	0	616,052	583,882	32,170
3,970	3,970	0	23,316	15,158	8,158	168,629	152,558	16,071
		0	13,541	13,541	0	398,369	380,162	18,207
		0	825	825	0	375,415	354,248	21,167
		0			0	14,175	14,144	31
		0			0	500	0	500
		0	3,216	3,216	0	211,107	205,587	5,520
		0	1,361,191	1,361,127	64	1,423,391	1,421,079	2,312
80,000	80,000	0			0	80,000	80,000	0
163,448	163,448	0			0	163,448	163,448	0
247,418	247,418	0	1,803,597	1,679,907	123,690	6,927,548	6,579,372	348,176
5,492	6,701	1,209	(1,423,146)	(1,359,081)	64,065	(1,818,022)	(1,216,315)	601,707
		0			0	1,600	1,900	300
		0			0	200	1,196	996
		0			0	6,980	51,859	44,879
		0			0	(500)	0	500
		0			0	15,000	39,500	24,500
		0			0	(39,500)	(39,500)	0
		0			0	40,269	40,269	0
		0			0	(47,500)	(47,269)	231
0	0	0	0	0	0	(23,451)	47,955	71,406
5,492	6,701	1,209	(1,423,146)	(1,359,081)	64,065	(1,841,473)	(1,168,360)	673,113
39,586	39,586	0	910,298	910,298	0	1,857,253	1,857,253	0
0	0	0	513,265	513,265	0	670,519	670,519	0
<b>\$45,078</b>	<b>\$46,287</b>	<b>\$1,209</b>	<b>\$417</b>	<b>\$64,482</b>	<b>\$64,065</b>	<b>\$686,299</b>	<b>\$1,359,412</b>	<b>\$673,113</b>

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**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Fund Equity  
All Proprietary and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<u>Operating Revenues:</u>			
Sales	\$181,450	\$0	\$181,450
Interest		285	285
Gifts and Donations		15,250	15,250
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	181,450	15,535	196,985
<u>Operating Expenses:</u>			
Salaries	70,622		70,622
Fringe Benefits	34,459		34,459
Purchased Services	924		924
Materials and Supplies	7,442		7,442
Cost of Sales	119,547		119,547
Depreciation	7,131		7,131
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	240,125	0	240,125
Operating Income (Loss)	<hr/> (58,675)	<hr/> 15,535	<hr/> (43,140)
<u>Non-Operating Revenues (Expenses):</u>			
Federal Donated Commodities	14,267		14,267
Operating Grants	42,103		42,103
Interest	532		532
Loss on Disposal of Fixed Assets	(260)		(260)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	56,642	0	56,642
Income (Loss) Before Operating Transfers	(2,033)	15,535	13,502
Operating Transfers In	<hr/> 7,000	<hr/>	<hr/> 7,000
Net Income	4,967	15,535	20,502
Retained Earnings/Fund Balance at Beginning of Year	<hr/> 32,746	<hr/> 5,455	<hr/> 38,201
Retained Earnings/Fund Balance at End of Year	<hr/> 37,713	<hr/> 20,990	<hr/> 58,703
Contributed Capital at Beginning of Year	3,000		3,000
Contributed from Other Funds	<hr/> 175,350	<hr/>	<hr/> 175,350
Contributed Capital at End of Year	<hr/> 178,350	<hr/> 0	<hr/> 178,350
<b>Total Fund Equity at End of Year</b>	<hr/> <b>\$216,063</b>	<hr/> <b>\$20,990</b>	<hr/> <b>\$237,053</b>

*See Accompanying Notes to the General Purpose Financial Statements*

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Proprietary and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 1999**

	<b>Enterprise Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$175,070	\$180,741	\$5,671
Interest		532	532
Gifts and Donations			0
Operating Grants	48,000	41,530	(6,470)
	223,070	222,803	(267)
<b>Expenses:</b>			
Salaries	78,814	70,705	8,109
Fringe Benefits	40,848	35,637	5,211
Purchased Services	1,192	966	226
Materials and Supplies	124,020	113,287	10,733
Other Expenses			0
Capital Outlay	998	998	0
	245,872	221,593	24,279
Excess of Revenues Over (Under) Expenses	(22,802)	1,210	24,012
Advances In	4,000	8,000	4,000
Advances Out	(8,000)	(8,000)	0
Operating Transfers In		7,000	7,000
	(26,802)	8,210	35,012
Excess of Revenues Over (Under) Expenses, Advances, and Transfers			
Fund Balances at Beginning of Year	40,383	40,383	0
Prior Year Encumbrances Appropriated	212	212	0
	40,595	40,595	0
<b>Fund Balances at End of Year</b>	<b>\$13,793</b>	<b>\$48,805</b>	<b>\$35,012</b>

*See Accompanying Notes to the General Purpose Financial Statements*

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$175,070	\$180,741	\$5,671
300	285	(15)	300	817	517
200	15,250	15,050	200	15,250	15,050
		0	48,000	41,530	(6,470)
500	15,535	15,035	223,570	238,338	14,768
		0	78,814	70,705	8,109
		0	40,848	35,637	5,211
		0	1,192	966	226
		0	124,020	113,287	10,733
275	275	0	275	275	0
		0	998	998	0
275	275	0	246,147	221,868	24,279
225	15,260	15,035	(22,577)	16,470	39,047
		0	4,000	8,000	4,000
		0	(8,000)	(8,000)	0
		0	0	7,000	7,000
225	15,260	15,035	(26,577)	23,470	50,047
5,730	5,730	0	46,113	46,113	0
0	0	0	212	212	0
<b>\$5,955</b>	<b>\$20,990</b>	<b>\$15,035</b>	<b>\$19,748</b>	<b>\$69,795</b>	<b>\$50,047</b>

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Cash Flows  
All Proprietary and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$180,741	\$0	\$180,741
Cash Received from Gifts and Donations		15,250	15,250
Cash Payments for Salaries	(70,705)		(70,705)
Cash Payments for Fringe Benefits	(35,637)		(35,637)
Cash Payments to Suppliers for Goods and Services	(114,253)		(114,253)
Cash Payments for Other Expenses		(275)	(275)
Net Cash Provided by (Used for) Operating Activities	<u>(39,854)</u>	<u>14,975</u>	<u>(24,879)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Cash Received from Operating Grants	41,530		41,530
Cash Received from Advances In	8,000		8,000
Cash Payments for Advances Out	(8,000)		(8,000)
Cash Received from Operating Transfers In	7,000		7,000
Net Cash Provided by Noncapital Financing Activities	<u>48,530</u>	<u>0</u>	<u>48,530</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Cash Payments for Fixed Assets	(998)		(998)
<u>Cash Flows from Investing Activities:</u>			
Cash Received from Interest	532	285	817
Net Increase in Cash and Cash Equivalents	8,210	15,260	23,470
Cash and Cash Equivalents at Beginning of Year	<u>40,595</u>	<u>5,730</u>	<u>46,325</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$48,805</u></b>	<b><u>\$20,990</u></b>	<b><u>\$69,795</u></b>

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Cash Flows  
All Proprietary and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 1999  
(continued)**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	(58,675)	\$15,535	(\$43,140)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Depreciation	7,131		7,131
Donated Commodities Used During Year	14,267		14,267
Interest Reported as Operating Income	0	(285)	(285)
<b>Changes in Assets and Liabilities:</b>			
Increase in Accounts Receivable	(1,441)		(1,441)
Increase in Prepaid Items	(1,648)		(1,648)
Decrease in Inventory Held for Resale	743		743
Decrease in Accounts Payable	(266)	(275)	(541)
Decrease in Accrued Wages and Benefits	(497)		(497)
Increase in Compensated Absences Payable	1,285		1,285
Decrease in Intergovernmental Payable	(753)		(753)
Net Cash Provided by (Used for) Operating Activities	<u>(\$39,854)</u>	<u>\$14,975</u>	<u>(\$24,879)</u>

**Non-Cash Capital Transaction**

During fiscal year 1999, the Construction capital projects fund purchased fixed assets, in the amount of \$175,350, and donated them to the Food Service enterprise fund.

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

Cash and Cash Equivalents - All Fiduciary Fund Types	\$46,540
Less Agency Funds	<u>(25,550)</u>
<b>Cash and Cash Equivalents - Nonexpendable Trust Fund</b>	<b><u>\$20,990</u></b>

*See Accompanying Notes to the General Purpose Financial Statements*

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**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999**

**Note 1 - Description of the School District and Reporting Entity**

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

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred thirteen square miles and is located in Hancock, Putnam, and Wood Counties. The School District is the 533rd largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by thirty-four classified employees, sixty-five certified teaching personnel, and four administrative employees who provide services to eight hundred seventy-six students and other community members. The School District currently operates an elementary/high school and a middle school.

**Reporting Entity**

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

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

The School District is associated with two jointly governed organizations, two insurance pools, and a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, Blanchard Valley Cooperative Vocational Career Center, Hancock County Schools Health Benefit Fund and Trust, NOACSC Workers' Compensation Group Rating Plan, and the McComb Community Library. Information about these organizations is presented in Notes 18, 19, and 20 to the combined financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**A. Basis of Presentation - Fund Accounting**

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

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

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

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Type

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

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



**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District did not have any expendable trust funds in fiscal year 1999. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

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

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

**B. Measurement Focus and Basis of Accounting**

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

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

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

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, grants, investment earnings, tuition, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

**Tax Budget**

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 1999.

Appropriations

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

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

Encumbrances

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

Lapsing of Appropriations

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**D. Cash and Investments**

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

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

During fiscal year 1999, investments were limited to nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$79,971, which includes \$13,126 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**F. Inventory**

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

**G. Restricted Assets**

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**H. Fixed Assets and Depreciation**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

**I. Compensated Absences**

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

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

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

**J. Accrued Liabilities and Long-Term Obligations**

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

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

**K. Contributed Capital**

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

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

**L. Fund Balance Reserves and Designations**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Fund balance designations are established to indicate tentative plans for financial resource utilization in future periods. Unreserved, undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for property taxes, inventories of materials and supplies, budget stabilization, contributions, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for contributions signifies legal restrictions on the use of principal in the nonexpendable trust fund.

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

**M. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief  
School Bus Purchase Allocation

Non-Reimbursable Grants

Special Revenue Funds

Science Learning Center  
Reading, Writing, Speaking  
Local Professional Development Committee  
IBMFE  
Professional Development  
Teen Wellness  
Education Management Information System  
Eisenhower  
Title VI-B  
Title I  
Title VI  
Drug Free  
Early Childhood Preschool  
Goals 2000

Capital Projects Funds

SchoolNet  
Textbook/Instructional Materials

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 49 percent of the revenues of the School District's governmental fund types during the 1999 fiscal year.

**N. Interfund Transactions**

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

**O. Estimates**

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

**P. Total Columns on General Purpose Financial Statements**

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

**Note 3 - Accountability and Compliance**

**A. Accountability**

At June 30, 1999, the Other Miscellaneous Grants and Title I special revenue funds had deficit fund balances, in the amount of \$3,248 and \$4,169, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

The District did not certify some obligations prior to the commitment being incurred.

**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund Type and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type and nonexpendable trust fund (GAAP basis).



**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

4. For the enterprise funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Although not part of the appropriated budget, the Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$139,978	\$39,434	\$12,949	(\$847,503)
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 1998, Received in Cash FY 1999	212,355	2,518	6,179	8,218
Accrued FY 1999, Not Yet Received in Cash	(249,630)	(1,753)	(12,427)	(9,832)
Expenditure Accruals:				
Accrued FY 1998, Paid in Cash FY 1999	(581,782)	(14,084)		(550,458)
Accrued FY 1999, Not Yet Paid in Cash	639,498	22,112		57,792
Prepaid Items	199	240		411
Advances In	24,500	15,000		
Advances Out	(23,000)	(16,500)		
Excess of Revenues Under Expenditures for Nonbudgeted Funds		229		
Encumbrances Outstanding at Year End (Budget Basis)	(18,232)	(7,062)		(17,709)
Budget Basis	<u>\$143,886</u>	<u>\$40,134</u>	<u>\$6,701</u>	<u>(\$1,359,081)</u>

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Net Income/Excess of Revenues  
Over Expenses, Advances, and Transfers  
Proprietary Fund Type and Nonexpendable Trust Fund

	Proprietary Fund Type	
	Enterprise	Nonexpendable Trust
GAAP Basis	\$4,967	\$15,535
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued FY 1998, Received in Cash FY 1999	14,352	
Accrued FY 1999, Not Yet Received in Cash	(15,634)	
Expense Accruals:		
Accrued FY 1998, Paid in Cash FY 1999	(28,907)	(275)
Accrued FY 1999, Not Yet Paid in Cash	27,944	
Prepaid Items	(1,648)	
Inventory Held for Resale	743	
Depreciation Expense	7,131	
Acquisition of Fixed Assets	(998)	
Loss on Disposal of Fixed Assets	260	
Advances In	8,000	
Advances Out	(8,000)	
Budget Basis	\$8,210	\$15,260

**Note 5 - Deposits and Investments**

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

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

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$23,788 in cash and cash equivalents with fiscal agents which is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agents". This represents \$15,144 held by Ohio Bank, who services the School District's bond/coupon payments, and \$8,644 held by the Hancock County Educational Service Center. The Educational Service Center holds flow through grant money for the School District together with that of other school districts and therefore the School District cannot classify this money by risk under GASB Statement No. 3.

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

At fiscal year end, the carrying amount of the School District's deposits was \$151,932 and the bank balance was \$235,149. Of the bank balance, \$100,000 was covered by federal depository insurance and \$135,149 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 1999, the fair value of funds on deposit with STAR Ohio was \$1,361,085.

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,521,661	
Cash and Cash Equivalents with Educational Service Center	(8,644)	
Investments:		
STAR Ohio	(1,361,085)	1,361,085
GASB Statement No. 3	\$151,932	\$1,361,085

**Note 6 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. All property is required to be revalued every six years. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

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Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current fiscal year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Hancock, Putnam, and Wood Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$80,697 in the General Fund, \$12,427 in the Bond Retirement debt service fund, and \$9,832 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1998, was \$38,459 in the General Fund, \$6,179 in the Bond Retirement debt service fund, and \$4,795 in the Permanent Improvement capital projects fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$37,388,010	60.02%	\$44,931,840	64.68%
Industrial/Commercial	5,363,620	8.61	6,125,670	8.82
Public Utility	5,113,390	8.21	5,394,330	7.77
Tangible Personal	14,423,400	23.16	13,012,091	18.73
Total Assessed Value	<u>\$62,288,420</u>	<u>100.00%</u>	<u>\$69,463,931</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.86		\$35.56	

**Note 7 - Income Taxes**

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

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**Notes to the General-Purpose Financial Statements  
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**Note 8 - Receivables**

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (student fees and billings for user charged services), and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$21,100.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Bowling Green State University	\$770
Enterprise Fund	
National School Lunch Program	6,131
State School Lunch Program	299
Total Enterprise Fund	6,430
Total Intergovernmental Receivables	\$7,200

**Note 9 - Fixed Assets**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$233,301
Less Accumulated Depreciation	(58,392)
Net Fixed Assets	\$174,909

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
Land and Improvements	\$155,885	\$55,031		\$210,916
Buildings and Improvements	578,573	3,637,347		4,215,920
Furniture, Fixtures, and Equipment	1,499,558	195,831	31,473	1,663,916
Books	397,578	31,083		428,661
Vehicles	419,913	196,165	89,725	526,353
Construction in Progress	2,749,663		2,749,663	
Totals	\$5,801,170	\$4,115,457	\$2,870,861	\$7,045,766

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**Note 10 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted for the following insurance coverages:

Coverages provided by Utica National Insurance Group are as follows:

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

Coverages provided by Nationwide/Wausau Insurance are as follows:

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

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 last year.

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

For fiscal year 1999, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

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

**Note 11 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$137,934, \$223,839, and \$215,926, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$23,398, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 7.7 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 9.02 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, 1999, 1998, and 1997, were \$42,307, \$47,250, and \$47,105, respectively; 38 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$26,275, is recorded as a liability within the respective funds and the general long-term obligations account group.



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**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, 1999, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 12 - 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 1999, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$183,912 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000, and STRS had 91,999 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$49,216 for fiscal year 1999.

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 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575, and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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**Note 13 - Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty days for all school personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of fifty-five days.

**B. Health Care Benefits**

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

**Note 14 - Long-Term Obligations**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/99</u>
Long-Term Obligations:				
FY 1998 School Improvement Bonds	\$3,175,000		\$80,000	\$3,095,000
Compensated Absences Payable	315,679	12,480		328,159
Intergovernmental Payable	38,681	38,456	38,681	38,456
Capital Lease Payable		18,696		18,696
Total General Long-Term Obligations	<u>\$3,529,360</u>	<u>\$69,632</u>	<u>\$118,681</u>	<u>\$3,480,311</u>

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

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

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

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

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

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

The School District's overall debt margin was \$3,215,468 with an unvoted debt margin of \$69,464 at June 30, 1999.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$90,000	\$160,003	\$250,003
2001	95,000	156,186	251,186
2002	105,000	151,984	256,984
2003	110,000	147,360	257,360
2004	115,000	142,409	257,409
2005 - 2009	695,000	621,164	1,316,164
2010 - 2014	925,000	384,004	1,309,004
2015 - 2019	960,000	121,275	1,081,275
Totals	\$3,095,000	\$1,884,385	\$4,979,385

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**Note 15 - Capitalized Lease - Lessee Disclosure**

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

The equipment acquired by lease has been capitalized in the general fixed assets account group, in the amount of \$18,696. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. No principal payments were made in fiscal year 1999.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	GLTOAG
2000	\$6,820
2001	6,820
2002	6,820
Total	20,460
Less: Amount Representing Interest	(1,764)
Present Value of Net Minimum Lease Payments	\$18,696

**Note 16 - Reservations of Fund Balance**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 1999.

	Textbooks	Capital Improvements	Budget Stabilization	Totals
Balance June 30, 1998			\$15,848	\$15,848
Current Year Set Aside Requirement	69,000	69,000		138,000
Current Year Offset	(12,218)	(69,000)		(81,218)
Qualifying Expenditures	(56,782)			(56,782)
Balance June 30, 1999			\$15,848	\$15,848

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Amounts of offsets and qualifying expenditures presented in the table were limited to those necessary to reduce the year end balance to zero. Although the School District may have had additional offsets and qualifying expenditures during the year, by rule, these amounts may not be used to reduce the set aside requirements of future years and are therefore not presented.

**Note 17 - Segment Information for Enterprise Funds**

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the McComb Local School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$163,474	\$16,906	\$1,070	\$181,450
Depreciation Expense	7,131			7,131
Operating Income (Loss)	(52,593)	(6,093)	11	(58,675)
Federal Donated Commodities	14,267			14,267
Operating Grants	42,103			42,103
Operating Transfers In	0	7,000		7,000
Net Income	4,049	907	11	4,967
Fixed Asset Additions	176,348			176,348
Fixed Asset Reductions	6,437			6,437
Current Capital Contributions: Other Funds	175,350			175,350
Net Working Capital	33,100	10,920	27	44,047
Total Assets	236,780	10,920	27	247,727
Total Equity	205,116	10,920	27	216,063

**Note 18 - Jointly Governed Organizations**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, 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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

governing board of NOACSC consists of two representatives from each county. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

**B. Blanchard Valley Cooperative Vocational Career Center**

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

**Note 19 - Insurance Pools**

**A. Hancock County Schools Health Benefit Fund and Trust**

The Hancock County Schools Health Benefit Fund and Trust (the Trust) is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The Trust is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to the employees of the participants. Each participants' superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio 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 Tim Smith, Ohio Benefits Group, 545 Pearl Street, Bowling Green, Ohio 43402.

**B. NOACSC Workers' Compensation Group Rating Plan**

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

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

**Note 20 - Related Organization**

**McComb Community Library** - The McComb Community Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the McComb Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999  
(Continued)**

discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the McComb Community Library, Barbara Lucas, who serves as treasurer, 113 South Todd Street, McComb, Ohio 45858.

**Note 21 - School Foundation Program**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,001,580 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Supreme Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and development by the Ohio General Assembly...", including the State's reliance on local property tax funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**Note 22 - Contingent Liabilities**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**B. Litigation**

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

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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

McComb Local School District  
Hancock County  
328 South Todd Street  
P.O. Box 877  
McComb, Ohio 45858-0877

To the Board of Education:

We have audited the financial statements of McComb Local School District, Hancock County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 30, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 1999-10232-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 30, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 30, 2001.

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

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

**Jim Petro**  
Auditor of State

January 30, 2001

McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY

Schedule of Findings  
June 30, 1999

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

**FINDING NUMBER 1999-10232-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Board of Education may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the Board of Education, if such expenditure is otherwise valid.

Thirty percent of the transactions tested did not receive prior certification of the Treasurer, nor were they certified using a then-and-now certification. This procedure is not only required by Ohio law but is also a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of District funds being over expended or exceeding budgetary spending limitations as set by the Board.

To improve controls over disbursements we recommend that all District disbursements receive prior certification of the Treasurer and that the Board periodically review the expenditures made to ensure they are within appropriations adopted by the Board and recorded against appropriations.

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**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Schedule of Prior Audit Findings  
June 30, 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1998-10232-001	<b>ORC §5705.41(D)</b> Certification of funds	No	The finding has been repeated in this report.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**McCOMB LOCAL SCHOOL DISTRICT**

**HANCOCK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 20, 2001**