



Dave Yost • Auditor of State

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McComb Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McComb Local School District, Hancock County, Ohio, as of June 30, 2011, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

As described in Note 19 to the basic financial statements, the District implemented Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions"

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

December 1, 2011

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The discussion and analysis of the financial performance of McComb Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

Net assets decreased \$1,331.

General revenues accounted for \$6,924,441, or 81 percent of all revenues. Program specific revenues in the form of charges for services and operating and capital grants and contributions accounted for \$1,628,027, or 19 percent of total revenues of \$8,552,468.

The District's major funds at June 30, 2011 are the General Fund and the Permanent Improvement Fund. The General Fund had \$6,877,983 in revenues and other financing sources and \$7,064,617 in expenditures and other financing uses. The General Fund's balance decreased \$186,634 from the prior fiscal year. The Permanent Improvement Fund had \$239,041 in revenues and \$205,623 in expenditures. The Permanent Improvement Fund's balance increased \$33,418 from the prior fiscal year.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

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

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

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

Table 1 provides a summary of the District's net assets for fiscal year 2011 compared to fiscal year 2010.

| Table 1 | | |
|--------------------------------|-------------|-------------|
| Net Assets | | |
| Governmental Activities | | |
| | 2011 | 2010 |
| <u>Assets:</u> | | |
| Current Assets | \$2,445,950 | \$2,447,281 |
| Total Assets | 2,445,950 | 2,447,281 |
| <u>Net Assets:</u> | | |
| Restricted for Debt Service | 132,428 | 73,750 |
| Restricted for Capital Outlay | 264,290 | 230,872 |
| Restricted for Other Purposes | 223,058 | 269,878 |
| Unrestricted | 1,826,174 | 1,872,781 |
| Total | \$2,445,950 | \$2,447,281 |

As mentioned previously, net assets of governmental activities decreased \$1,331 or less than 1% during 2011. The primary reason attributing to the decrease is that the District received decreases in federal funding.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2011 compared to fiscal year 2010.

| Table 2 | | |
|--|-------------|-------------|
| Change in Net Assets | | |
| Governmental Activities | | |
| | 2011 | 2010 |
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services and Sales | \$467,460 | \$475,961 |
| Operating Grants, Contributions and Interest | 1,160,567 | 942,134 |
| Total Program Revenues | 1,628,027 | 1,418,095 |
| General Revenues: | | |
| Property Taxes | 1,907,731 | 1,688,979 |
| Income Taxes | 1,020,418 | 977,064 |
| Grants and Entitlements | 3,913,041 | 3,963,630 |
| Interest | 23,368 | 84,583 |
| Gifts and Donations | 26,464 | 16,366 |
| Miscellaneous | 33,205 | 37,545 |
| Refund of Expenditures | 214 | |
| Total General Revenues | 6,924,441 | 6,768,167 |
| Total Revenues | 8,552,468 | 8,186,262 |
| Expenses: | | |
| Instruction | 4,936,336 | 4,735,084 |
| Support Services: | | |
| Pupils | 322,016 | 318,560 |
| Instructional Staff | 243,266 | 239,710 |
| Board of Education | 13,243 | 12,362 |
| Administration | 773,537 | 756,730 |
| Fiscal | 246,940 | 203,477 |
| Operation and Maintenance of Plant | 580,049 | 537,715 |
| Pupil Transportation | 414,625 | 398,022 |
| Central | 11,331 | 9,796 |
| Non-Instructional | 270,891 | 250,856 |
| Extracurricular Activities | 344,698 | 340,165 |
| Capital Outlay | 136,917 | 59,577 |
| Principal | 185,000 | 195,000 |
| Interest and Fiscal Charges | 74,950 | 86,960 |
| Total Expenses | 8,553,799 | 8,144,014 |
| Increase/(Decrease) in Net Assets | (\$1,331) | \$42,248 |

Program receipts account for 19 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

The major program disbursements for governmental activities are for instruction, which accounts for 58 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 11 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 7 percent. The remaining 24 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

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

**Table 3
Governmental Activities**

| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
|------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | <u>2011</u> | <u>2011</u> | <u>2010</u> | <u>2010</u> |
| Instruction | \$4,936,336 | \$3,781,207 | \$4,735,084 | \$3,844,231 |
| Support Services: | | | | |
| Pupils | 322,016 | 322,016 | 318,560 | 192,433 |
| Instructional Staff | 243,266 | 243,266 | 239,710 | 239,710 |
| Board of Education | 13,243 | 13,243 | 12,362 | 12,362 |
| Administration | 773,537 | 773,537 | 756,730 | 756,730 |
| Fiscal | 246,940 | 246,940 | 203,477 | 203,477 |
| Operation and Maintenance of Plant | 580,049 | 580,049 | 537,715 | 537,715 |
| Pupil Transportation | 414,625 | 399,966 | 398,022 | 384,921 |
| Central | 11,331 | 11,331 | 9,796 | 9,796 |
| Non-Instructional | 270,891 | (8,740) | 250,856 | 14,783 |
| Extracurricular Activities | 344,698 | 166,090 | 340,165 | 188,224 |
| Capital Outlay | 136,917 | 136,917 | 59,577 | 59,577 |
| Principal | 185,000 | 185,000 | 195,000 | 195,000 |
| Interest and Fiscal Charges | 74,950 | 74,950 | 86,960 | 86,960 |
| Total Expenses | <u><u>\$8,553,799</u></u> | <u><u>\$6,925,772</u></u> | <u><u>\$8,144,014</u></u> | <u><u>\$6,725,919</u></u> |

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 77 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 81 percent. The remaining 19 percent is derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting.

Fund balance in the General Fund decreased \$186,634 largely due to increase in instruction costs. The increase in fund balance in the Permanent Improvement Fund was due to a decrease in maintenance projects and equipment purchases in FY 2011.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2011, the District amended its General fund budget as needed.

Final estimated resources were more than original estimated resources by \$438,206 due to unexpected increases in intergovernmental revenue and tax revenue.

Final expenditures and other financing uses were budgeted at \$7,370,001 while actual expenditures and other financing uses were \$7,079,500. The \$290,501 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Debt

At June 30, 2011, the District had \$1,485,000 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-one year period, with final maturity on December 1, 2018. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2011, the District's overall legal debt margin was \$5,891,370, with an un-voted debt margin of \$80,488.

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

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. McComb is a small rural community of 1,630 people in Northwest Ohio. It has a few small businesses and one large factory with agriculture having a contributing influence on the economy.

In May 2009, the District renewed an additional ½ percent Income Tax for 5 years beginning January 1, 2010 to generate approximately \$350,000 annually for five years. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised.

Contacting the District's Financial Management

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
June 30, 2011**

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 2,445,950</u> |
| NET ASSETS: | |
| Restricted for Debt Service | 132,428 |
| Restricted for Capital Outlay | 264,290 |
| Restricted for Other Purposes | 223,058 |
| Unrestricted | <u>1,826,174</u> |
| Total Net Assets | <u><u>\$ 2,445,950</u></u> |

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | <u>Cash Disbursements</u> | <u>Program Revenues</u> | | <u>Net(Expense) Revenue and Changes in Net Assets</u> |
|---|-------------------------------|---|---|---|
| | | <u>Charges for Services and Sales</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | 3,363,844 | \$ 200,970 | \$ 59,521 | \$ (3,103,353) |
| Special | 838,408 | 4,472 | 826,479 | (7,457) |
| Vocational | 292,823 | | 63,687 | (229,136) |
| Adult/Continuing | 27 | | | (27) |
| Student Intervention Services | 3,277 | | | (3,277) |
| Other | 437,957 | | | (437,957) |
| Support Services: | | | | |
| Pupils | 322,016 | | | (322,016) |
| Instructional Staff | 243,266 | | | (243,266) |
| Board of Education | 13,243 | | | (13,243) |
| Administration | 773,537 | | | (773,537) |
| Fiscal | 246,940 | | | (246,940) |
| Operation and Maintenance of Plant | 580,049 | | | (580,049) |
| Pupil Transportation | 414,625 | | 14,659 | (399,966) |
| Central | 11,331 | | | (11,331) |
| Operation of Non-Instructional Services | 270,891 | 115,636 | 163,995 | 8,740 |
| Extracurricular Activities | 344,698 | 146,382 | 32,226 | (166,090) |
| Capital Outlay | 136,917 | | | (136,917) |
| Debt Service: | | | | |
| Principal | 185,000 | | | (185,000) |
| Interest and Fiscal Charges | 74,950 | | | (74,950) |
| Totals | <u><u>8,553,799</u></u> | <u><u>\$ 467,460</u></u> | <u><u>\$ 1,160,567</u></u> | <u><u>(6,925,772)</u></u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes, Levied for General Purposes | | | | 1,524,290 |
| Property Taxes, Levied for Capital Outlay | | | | 166,635 |
| Property Taxes, Levied for Debt Service | | | | 216,806 |
| Income Taxes | | | | 1,020,418 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 3,913,041 |
| Gifts and Donations | | | | 26,464 |
| Investment Earnings | | | | 23,368 |
| Miscellaneous | | | | 33,205 |
| Refund of Prior Year Expenditures | | | | 214 |
| Total General Revenues | | | | <u>6,924,441</u> |
| Change in Net Assets | | | | (1,331) |
| Net Assets Beginning of Year | | | | 2,447,281 |
| Net Assets End of Year | | | | <u><u>\$ 2,445,950</u></u> |

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

| | General Fund | Permanent Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---|---|---|
| Assets | | | | |
| Current Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 2,002,795 | \$ 264,290 | \$ 178,865 | \$ 2,445,950 |
| Fund Balances | | | | |
| Restricted | | 264,290 | 178,865 | 443,155 |
| Committed | 164,544 | | | 164,544 |
| Assigned | 26,960 | | | 26,960 |
| Unassigned | 1,811,291 | | | 1,811,291 |
| Total Fund Balances | \$ 2,002,795 | \$ 264,290 | \$ 178,865 | \$ 2,445,950 |

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | <u>General Fund</u> | <u>Permanent Improvement Fund</u> | <u>All Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|---|---|
| CASH RECEIPTS: | | | | |
| Property and Other Local Taxes | \$ 1,524,290 | \$ 166,635 | \$ 216,806 | \$ 1,907,731 |
| Income Tax | 1,020,418 | | | 1,020,418 |
| Intergovernmental | 4,006,195 | 72,406 | 954,199 | 5,032,800 |
| Interest | 23,334 | | 34 | 23,368 |
| Tuition and Fees | 203,773 | | | 203,773 |
| Rent | 800 | | | 800 |
| Extracurricular Activities | 17,821 | | 130,283 | 148,104 |
| Gifts and Donations | 25,449 | | 41,667 | 67,116 |
| Customer Sales and Services | 1,020 | | 115,636 | 116,656 |
| Miscellaneous | 14,574 | | 16,819 | 31,393 |
| Total Revenues | <u>6,837,674</u> | <u>239,041</u> | <u>1,475,444</u> | <u>8,552,159</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,195,803 | 54,147 | 113,894 | 3,363,844 |
| Special | 759,834 | | 78,574 | 838,408 |
| Vocational | 261,458 | | 31,365 | 292,823 |
| Adult/Continuing | 27 | | | 27 |
| Student Intervention Services | 3,277 | | | 3,277 |
| Other | 431,817 | | 6,140 | 437,957 |
| Support Services: | | | | |
| Pupils | 165,898 | | 156,118 | 322,016 |
| Instructional Staff | 203,785 | 440 | 39,041 | 243,266 |
| Board of Education | 13,243 | | | 13,243 |
| Administration | 772,305 | | 1,232 | 773,537 |
| Fiscal | 236,289 | 4,781 | 5,870 | 246,940 |
| Operation and Maintenance of Plant | 391,885 | 9,338 | 178,826 | 580,049 |
| Pupil Transportation | 349,542 | | 65,083 | 414,625 |
| Central | 11,331 | | | 11,331 |
| Operation of Non-Instructional Services | | | 270,891 | 270,891 |
| Extracurricular Activities | 193,123 | | 151,575 | 344,698 |
| Capital Outlay | | 136,917 | | 136,917 |
| Debt Service: | | | | |
| Principal | | | 185,000 | 185,000 |
| Interest | | | 74,950 | 74,950 |
| Total Expenditures | <u>6,989,617</u> | <u>205,623</u> | <u>1,358,559</u> | <u>8,553,799</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(151,943)</u> | <u>33,418</u> | <u>116,885</u> | <u>(1,640)</u> |
| OTHER FINANCING SOURCES AND USES: | | | | |
| Transfers In | 95 | | 11,533 | 11,628 |
| Refund of Prior Year Expenditures | 214 | | | 214 |
| Advances In | 40,000 | | 75,000 | 115,000 |
| Transfers Out | | | (11,533) | (11,533) |
| Advances Out | (75,000) | | (40,000) | (115,000) |
| Total Other Financing Sources and Uses | <u>(34,691)</u> | | <u>35,000</u> | <u>309</u> |
| Net Change in Fund Balances | (186,634) | 33,418 | 151,885 | (1,331) |
| Fund Balance at Beginning of Year - Restated | 2,189,429 | 230,872 | 26,980 | 2,447,281 |
| Fund Balance at End of Year | <u>\$ 2,002,795</u> | <u>\$ 264,290</u> | <u>\$ 178,865</u> | <u>\$ 2,445,950</u> |

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|------------------------|---------------------|---------------------|---------------------------------------|
| REVENUES: | | | | |
| Property and Other Local Taxes | \$ 1,370,078 | \$ 1,524,290 | \$ 1,524,290 | |
| Income Tax | 977,064 | 1,020,418 | 1,020,418 | |
| Intergovernmental | 3,717,204 | 4,006,195 | 4,006,195 | |
| Interest | 84,537 | 23,315 | 23,334 | \$ 19 |
| Tuition and Fees | 226,813 | 203,773 | 203,773 | |
| Rent | 1,230 | 800 | 800 | |
| Extracurricular Activities | | | 17,821 | 17,821 |
| Gifts and Donations | | | 25,449 | 25,449 |
| Customer Sales and Services | 1,200 | 1,020 | 1,020 | |
| Miscellaneous | 18,265 | 14,574 | 14,574 | |
| Total Revenues | <u>6,396,391</u> | <u>6,794,385</u> | <u>6,837,674</u> | <u>43,289</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,170,293 | 3,233,698 | 3,201,832 | 31,866 |
| Special | 770,770 | 769,937 | 759,834 | 10,103 |
| Vocational | 288,505 | 289,455 | 261,458 | 27,997 |
| Adult/Continuing | | | 27 | (27) |
| Student Intervention Services | 12,850 | 12,850 | 3,277 | 9,573 |
| Other | 324,000 | 324,000 | 431,817 | (107,817) |
| Support Services: | | | | |
| Pupils | 163,045 | 162,945 | 165,898 | (2,953) |
| Instructional Staff | 231,106 | 231,106 | 203,891 | 27,215 |
| Board of Education | 16,310 | 16,310 | 13,243 | 3,067 |
| Administration | 770,894 | 812,509 | 772,428 | 40,081 |
| Fiscal | 233,000 | 233,000 | 236,905 | (3,905) |
| Operation and Maintenance of Plant | 657,724 | 657,724 | 395,606 | 262,118 |
| Pupil Transportation | 422,909 | 422,909 | 353,460 | 69,449 |
| Central | 13,950 | 13,950 | 11,701 | 2,249 |
| Operation of Non-Instructional Services | | | | |
| Extracurricular Activities | 187,607 | 187,608 | 193,123 | (5,515) |
| Total Expenditures | <u>7,262,963</u> | <u>7,368,001</u> | <u>7,004,500</u> | <u>363,501</u> |
| Excess of Expenditures Over Revenues | <u>(866,572)</u> | <u>(573,616)</u> | <u>(166,826)</u> | <u>406,790</u> |
| Other Financing Sources and Uses: | | | | |
| Transfers In | 97 | 95 | 95 | |
| Advances In | | 40,000 | 40,000 | |
| Refund of Prior Year Expenditures | | 214 | 214 | |
| Advances Out | | | (75,000) | (75,000) |
| Refund of Prior Year Receipts | (2,000) | (2,000) | | 2,000 |
| Total Other Financing Sources and Uses | <u>(1,903)</u> | <u>38,309</u> | <u>(34,691)</u> | <u>(73,000)</u> |
| Net Change in Fund Balances | <u>(868,475)</u> | <u>(535,307)</u> | <u>(201,517)</u> | <u>333,790</u> |
| Fund Balance at Beginning of Year - Restated | 2,173,644 | 2,173,644 | 2,173,644 | |
| Prior Year Encumbrances Appropriated | 15,786 | 15,786 | 15,786 | |
| Fund Balance at End of Year | <u>\$ 1,320,955</u> | <u>\$ 1,654,123</u> | <u>\$ 1,987,913</u> | <u>\$ 333,790</u> |

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2011**

| | Private Purpose Trust | Agency Fund |
|--|----------------------------------|--------------------|
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 28,921 | \$ 40,690 |
| Liabilities: | | |
| Undistributed Assets | | 1,119 |
| Due to Students | | 39,571 |
| Total Liabilities | | 40,690 |
| Net Assets: | | |
| Held in Trust for Scholarships | 28,921 | |
| Total Net Assets | \$ 28,921 | |

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | <u>Private Purpose Trust</u> |
|--|------------------------------|
| ADDITIONS: | |
| Interest | \$ 494 |
| DEDUCTIONS: | |
| Payments in Accordance with Trust Agreements | <u>200</u> |
| Change in Net Assets | 294 |
| Net Assets Beginning of Year | <u>28,627</u> |
| Net Assets End of Year | <u><u>\$ 28,921</u></u> |

See Accompanying Notes to the Basic Financial Statements

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**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The McComb Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's two instructional/support facilities staffed by 29 classified employees and 63 certified teaching personnel, who provide services to 818 students and other community members.

A. Primary Government

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

B. Component Units

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

C. Jointly Governed Organizations and Purchasing Pools

The District participates in three jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations include the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, the Northwestern Ohio Educational Research Council, Inc., Hancock County School Health Benefit Fund, Sheakley Uniservice, Inc., and the McComb Community Library. Information about these organizations is presented in Notes 13, 14, and 15 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable. As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds:

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

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Permanent Improvement Fund - The Permanent Improvement fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

2. Fiduciary Funds

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

C. Basis of Accounting

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

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

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

D. Budgetary Process

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

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

E. Cash and Investments

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

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

During fiscal year 2011, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the following funds in fiscal year 2011, was \$23,334, for the General Fund and \$34 to other funds.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-term Obligations

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Net Assets

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

N. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Interfund Transactions

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

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

3. COMPLIANCE

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

4. BUDGETARY BASIS OF ACCOUNTING

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

The General fund encumbrances outstanding at year end (budgetary basis) amounted to \$14,883.

5. DEPOSITS AND INVESTMENTS

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

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

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

At year end, the District had \$250 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Investments

As of June 30, 2011, the District's only investment was \$255,509 in STAR Ohio.

Credit Risk – STAR Ohio carries a rating of AAA by Standard and Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes for 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2011 were levied after April 1, 2010, on the assessed values as of December 31, 2009, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Hancock County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2011 taxes were collected are:

| | 2010 Second- Half Collections | | 2011 First- Half Collections | |
|--|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential | \$64,787,930 | 87% | \$72,123,090 | 89% |
| Industrial/Commercial | 7,228,720 | 10% | 6,162,490 | 8% |
| Public Utility | 2,073,290 | 3% | 2,202,660 | 3% |
| Tangible Personal | 139,580 | 0% | 0 | 0% |
| Total Assessed Value | <u>\$74,229,520</u> | <u>100%</u> | <u>\$80,488,240</u> | <u>100%</u> |
| Tax rate per \$1,000 of assessed valuation | \$36.16 | | \$35.95 | |

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. INCOME TAX

The District levies a voted tax of 1 1/2 percent for general operations on the income of residents and of estates. The 1 percent tax was effective on January 1, 1984, and is for a continuing tax and the additional ½ percent tax was effective January 1, 2010, and is for a 5 year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District contracted for the following insurance coverage:

Coverage provided by Phelan Insurance Agency is as follows:

| | |
|---|--------------|
| Buildings and Contents (\$1,000 deductible) | \$33,624,655 |
| Crime – Employee Dishonesty and Forgery (\$500 deductible) | 50,000 |
| Audio Visual Equipment (\$500 deductible) | 51,300 |
| Data Processing Equipment (\$500 deductible) | 229,660 |
| Contractor’s Equipment (\$500 deductible) | 19,260 |
| Musical Instruments (\$500 deductible) | 133,800 |
| ** Also See School Extension Endorsements | |
| Umbrella - Each Occurrence (covers liability, auto, and property) | 3,000,000 |
| Umbrella Annual Aggregate (covers liability, auto, and property) | 3,000,000 |
| Automobile Liability | 1,000,000 |
| Automobile Medical Payments | 5,000 |
| Uninsured Motorist/Underinsured Motorist | 1,000,000 |
| Hired and Non-Owned Liability | 1,000,000 |
| General School District Liability | |
| Per Occurrence | 1,000,000 |
| Aggregate | 2,000,000 |
| Employees Benefits Liability | |
| Per Occurrence | 1,000,000 |
| Aggregate (\$1,000 deductible – Claims Made) | 3,000,000 |
| Employers Liability | 1,000,000 |
| Errors and Omissions Liability (\$2,500 deductible) | 1,000,000 |

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. RISK MANAGEMENT (Continued)

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

For fiscal year 2011, the District participated in the Sheakley Workers' Compensation Group Rating Program, an insurance purchasing pool. The program is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the program.

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employee Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board, up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$116,744, \$102,586, and \$69,923, respectively; 44 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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

The CP offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority of member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$453,866, \$413,644, and \$408,522, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$5,779 made by the District and \$4,128 made by plan members.

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, 2011, three of the Board members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$11,914.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$6,636, \$15,476, and \$43,377 respectively; 44 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$3,527, \$6,101, and \$5,769, respectively; 44 percent has been contributed for fiscal year 2011 and 100 percent for fiscal year 2010 and 2009.

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$32,419, \$31,819, and \$31,425, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

11. OTHER EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty five days of vacation per year, after their first year with the District. Accumulated unused vacation time is not paid to classified employees and but may be paid to administrators upon termination of employment. Teachers and administrators, who are not on a twelve-month contract, do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty-eight days for all employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of fifty-seven days.

B. Health Care Benefits

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

12. LONG-TERM OBLIGATIONS

Changes in the District’s long-term obligations during fiscal year 2011 were as follows:

| | <u>Balance at 6/30/10</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance at 6/30/11</u> | <u>Due Within One Year</u> |
|----------------------------------|-------------------------------|------------------|-------------------|-------------------------------|------------------------------------|
| FY 1998 School Improvement Bonds | \$175,000 | | \$175,000 | | |
| FY 2009 Refunding Bond Issue | 1,495,000 | | 10,000 | \$1,485,000 | \$195,000 |
| Total | <u>\$1,670,000</u> | | <u>\$185,000</u> | <u>\$1,485,000</u> | <u>\$195,000</u> |

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

FY 1998 School Improvement Bonds – On July 1, 1997, the District issued \$3,250,000 in voted general obligation bonds for constructing, renovating, and adding to buildings. The bond issue included serial and term bonds, in the amount of \$1,705,000 and \$1,545,000, respectively. The bonds were issued for a twenty-one year period, with final maturity during fiscal year 2019. The District issued \$1,525,000 in refunding bonds to retire the callable portion of the FY 1998 School Improvement Bonds. The remaining \$175,000 non-callable bonds were retired on December 1, 2010.

FY 2009 School Improvement Refunding Bonds

FY 2010 School Improvement Refunding Bonds - On March 17, 2009, the School District issued bonds, in the amount of \$1,525,000, to partially refund bonds previously issued in 1997 for constructing and renovation to the District's buildings. The bonds were issued at a premium of \$124,723. The bonds were issued for a ten year period, with final maturity during fiscal year 2019.

At June 30, 2010, all of the refunded bonds were still outstanding.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011, were as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---------------------------------|--------------------|------------------|--------------------|
| 2012 | \$195,000 | \$66,694 | \$261,694 |
| 2013 | 200,000 | 59,500 | 259,500 |
| 2014 | 210,000 | 49,250 | 259,250 |
| 2015 | 220,000 | 38,500 | 258,500 |
| 2016 | 190,000 | 28,250 | 218,250 |
| 2017 - 2020 | 470,000 | 28,250 | 498,250 |
| Total | <u>\$1,485,000</u> | <u>\$270,444</u> | <u>\$1,755,444</u> |

13. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2011, the District paid \$23,046 to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Millstream Career and Technology Center

The Millstream Career and Technology Center (Center) is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Center provides vocational instruction to students. The Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative from the Findlay City School District. The Treasurers from the Hancock and Putnam County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, 1219 West Main Cross, Suite 101, Findlay, Ohio 45840-3377.

C. Northwestern Ohio Educational Research Council, Inc.

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

14. INSURANCE POOLS

A. Hancock County School Health Benefit Fund

The Hancock County School Health Benefit Fund (Fund) is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The Fund is a Voluntary Employee Benefit Association under Section 501(c) (9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington National Bank, concerning aspects of the administration of the Fund.

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

B. Sheakley Uniservice, Inc.

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

15. RELATED ORGANIZATION

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

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

| | Textbooks | Capital Acquisition |
|--|------------------|--------------------------------|
| Set-aside Cash Balance as of June 30, 2010 | (\$215,519) | |
| Current Year Set-aside Requirement | 116,039 | \$116,039 |
| Qualifying Disbursements | (109,531) | (116,039) |
| Amount Carried Forward to Fiscal Year 2012 | (\$209,011) | |

The District had qualifying expenditures during the fiscal year that reduced the textbooks set-aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

17. INTERFUND TRANSACTIONS

During the year ended June 30, 2011, the District transferred \$11,533 from a Non-major Governmental Fund to another Non-major Governmental Fund.

During the year ended June 30, 2011, the District advanced \$75,000 from General Fund to the Debt Service Bond Fund of which \$40,000 was repaid before June 30, 2011

18. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

18. CONTINGENCIES (Continued)

applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

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

19. CHANGE IN BASIS OF ACCOUNTING

For fiscal year 2011, the District modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. The statement also, requires certain funds to be included with the general fund.

The fund balance restatements are as follows:

| | General Fund | Other Governmental Funds |
|---|---------------------|---|
| Fund Balance, June 30, 2010 | \$1,938,324 | \$508,957 |
| Reclassify Adult Education Fund | 27 | (27) |
| Reclassify Principal Funds | 8,312 | (8,312) |
| Reclassify Termination Benefit Fund | 242,766 | (242,766) |
| Reclassify Permanent Improvement Fund to a Major Fund | | (230,872) |
| Restated Fund Balance, June 30, 2010 | \$2,189,429 | \$26,980 |

20. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

20. FUND BALANCE (Continued)

| <u>Fund Balance</u> | <u>General</u> | <u>Permanent Improvement</u> | <u>Other Governmental</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|----------------|----------------------------------|-------------------------------|---|
| Restricted for: | | | | |
| Regular Instruction | | | \$4,832 | \$4,832 |
| Special Instruction | | | 11,111 | 11,111 |
| Athletics | | | 21,655 | 21,655 |
| Food Service Operations | | | 8,839 | 8,839 |
| Debt Retirement | | | 132,428 | 132,428 |
| Permanent Improvement | | \$264,290 | | 264,290 |
| Total Restricted | | 264,290 | 178,865 | 443,155 |
| Committed for: | | | | |
| Termination Benefits | \$164,544 | | | 164,544 |
| Total Committed | 164,544 | | | 164,544 |
| Assigned for: | | | | |
| Educational Activities | 12,077 | | | 12,077 |
| Unpaid Obligations (encumbrances) | 14,883 | | | 14,883 |
| Total Assigned | 26,960 | | | 26,960 |
| Unassigned | 1,811,291 | | | 1,811,291 |
| Total Fund Balance | \$2,002,795 | \$264,290 | \$178,865 | \$2,445,950 |

21. INTERFUND RECEIVABLE/PAYABLES

Unpaid interfund cash advances at June 30, 2011, were as follows:

| Interfund Payable | | Interfund Receivable | |
|-------------------------------------|-------------------|----------------------|-------------------|
| Special Revenue – Food Service Fund | \$ 68,000 | General Fund | \$ 103,000 |
| Debt Service - Bond Fund | 35,000 | | |
| | <u>\$ 103,000</u> | | <u>\$ 103,000</u> |

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**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Federal CFDA Number | Federal Receipts | Federal Disbursements |
|--|---------------------------|-------------------------|--------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| <u>Child Nutrition Cluster</u> | | | |
| School Breakfast Program | 10.553 | \$24,008 | \$24,008 |
| National School Lunch Program: | | | |
| Cash Assistance | 10.555 | 128,301 | 128,301 |
| Non-cash Assistance (Commodities) | 10.555 | 26,230 | 26,230 |
| Total National School Lunch Program | | <u>154,531</u> | <u>154,531</u> |
| Total U.S. Department of Agriculture | | <u>178,539</u> | <u>178,539</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| <u>Title I Cluster</u> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 104,119 | 94,991 |
| ARRA - Title I School Improvement Stimulus A | 84.389 | 55,806 | 37,644 |
| Total Title I Cluster | | <u>159,925</u> | <u>132,635</u> |
| ARRA - State Fiscal Stabilization Fund | 84.394 | 296,311 | 296,311 |
| Education Technology State Grants | 84.318 | 366 | 336 |
| Improving Teacher Quality State Grants | 84.367 | 58,066 | 48,492 |
| <u>Special Education Cluster</u> | | | |
| Special Education Grants to States | 84.027 | 152,333 | 152,333 |
| ARRA - Special Education Grants to States | 84.391 | 60,424 | 22,624 |
| Special Education Preschool Grants | 84.173 | 3,785 | 3,785 |
| Total Special Education Cluster | | <u>216,542</u> | <u>178,742</u> |
| Total U.S. Department of Education | | <u>731,210</u> | <u>656,516</u> |
| Total Federal Awards Receipts and Expenditures | | <u>\$909,749</u> | <u>\$835,055</u> |

The accompanying notes are an integral part of this schedule.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McComb Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2011, wherein we noted the District prepared its financial statements on the cash basis. We also noted the District implemented Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 1, 2011.

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

We intend this report solely for the information and use of management, the audit committee, Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

December 1, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of McComb Local School District, Hancock County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, McComb Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 1, 2011.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

December 1, 2011

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | CFDA # 84.394 State Fiscal Stabilization Fund and CFDA # 84.027, 84.391, and 84.173 Special Education Grant Cluster |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | No |

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

FINDING NUMBER 2010-001

Noncompliance Finding

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

**FINDING NUMBER 2010-001
(Continued)**

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in a cash format which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

We recommend the District prepare its statements in accordance with accounting principles generally accepted in the United States of America.

Officials' Response:

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

FINDING NUMBER 2010-002

Financial Reporting - Material Weakness

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

The financial statement contained the following errors:

- Unrestricted assets in the amount of \$74,484 were adjusted as Restricted for Other Purposes.
- Statement of Activities program revenues and the related disbursements required 19 adjustments ranging in the amounts of \$526 to \$557,476.
- The Income Tax, Pension Plan, Interfund Receivables/Payables, Interfund Transactions, and the Set-Aside note disclosures had missing or incorrect information and amounts requiring modification.
- General Fund assigned fund balance in the amount of \$3,000 was adjusted as Unassigned, and Permanent Improvement Fund assigned fund balance in the amount of \$264,290 was adjusted as Restricted.

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

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

Officials' Response:

The adjustments to the financial statements will be discussed with the compiler to prevent these adjustments in the future or the District will look into changing compilers

3. FINDINGS FOR FEDERAL AWARDS

None

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2010-001 | Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(B) for not filing GAAP financial statements. | No | Repeated in this report as finding 2011-001. |
| 2010-002 | Financial Reporting recommendation for complete and accurate report information. | No | Repeated in this report as finding 2011-002. |

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether McComb Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on July 13, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 1, 2011

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Dave Yost • Auditor of State

MCCOMB LOCAL SCHOOL DISTRICT

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 15, 2011**