



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

---

**STATE OF OHIO**





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P. O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

January 21, 2003

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Table of Contents**

<b>Title</b>	<b>Page</b>
Report of Independent Accountants.....	1
Combined Balance Sheet – All Fund Types and Account Groups.....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types.....	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – All Governmental Fund Types.....	10
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Proprietary Fund Type and Nonexpendable Trust Fund.....	15
Combined Statement of Revenues, Expenses, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – Proprietary Fund Type and Nonexpendable Trust Fund .....	16
Combined Statement of Cash Flows – Proprietary Fund Type and Nonexpendable Trust Fund .....	18
Notes to the General-Purpose Financial Statements .....	19
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	43

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Suite 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of McComb Local School District (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the McComb Local School District, Hancock County, Ohio, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 3 to the general-purpose financial statements the District changed its method of accounting for fixed assets and donated commodities during fiscal year 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

December 23, 2002

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**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,247,438	\$390,320	\$80,946	\$228,587
Cash and Cash Equivalents with Fiscal Agents		8,527	15,144	
Receivables:				
Property Taxes	1,660,486		288,703	149,339
Income Taxes	217,435			
Accounts	19,396	1,338		
Intergovernmental	627	14,250		711
Interfund	15,348			
Accrued Interest	1,583			
Prepaid Items	51,011	1,184		9,148
Materials and Supplies Inventory	13,801			
Inventory Held for Resale				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	35,200			
Advances to Other Funds	75,000			
Fixed Assets (net, where applicable, of accumulated depreciation)				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount Available in Special Revenue Fund for Payment of Termination Benefits				
Amount to be Provided from General Governmental Resources				
<b>Total Assets and Other Debits</b>	<b>\$3,337,325</b>	<b>\$415,619</b>	<b>\$384,793</b>	<b>\$387,785</b>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$6,161	\$52,777			\$2,006,229
				23,671
				2,098,528
				217,435
3,788				24,522
3,671				19,259
				15,348
				1,583
3,442				64,785
				13,801
3,077				3,077
				35,200
				75,000
148,984		\$7,467,593		7,616,577
			\$99,817	99,817
			262,171	262,171
			3,103,368	3,103,368
<b>\$169,123</b>	<b>\$52,777</b>	<b>\$7,467,593</b>	<b>\$3,465,356</b>	<b>\$15,680,371</b>

(Continued)

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2002  
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Liabilities:</b>				
Accounts Payable	\$42,867	\$10,208		\$55,901
Accrued Wages and Benefits	476,182	13,421		
Compensated Absences Payable	8,521	12,629		
Intergovernmental Payable	98,515	2,221		
Interfund Payable		5,348		
Deferred Revenue	1,591,996	277	\$269,832	135,338
Undistributed Assets				
Due to Students				
Matured Bonds Payable			15,000	
Matured Interest Payable			144	
Advances from Other Funds				75,000
Capital Lease Payable				
Loan Payable				
General Obligation Bonds Payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	2,218,081	44,104	284,976	266,239
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved (Deficit)				
Contributed Capital				
Fund Balance:				
Reserved for Property Taxes	117,708		18,871	14,001
Reserved for Budget Stabilization	16,679			
Reserved for Bus Purchase	18,521			
Reserved for Advances	75,000			
Reserved for Contributions				
Reserved for Encumbrances	10,596	10,928		32,361
Designated for Termination Benefits		262,171		
Unreserved, Undesignated	880,740	98,416	80,946	75,184
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	1,119,244	371,515	99,817	121,546
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$3,337,325</u></b>	<b><u>\$415,619</u></b>	<b><u>\$384,793</u></b>	<b><u>\$387,785</u></b>

See Accompanying Notes to the General-Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
				\$108,993
\$17				505,880
16,277				428,733
6,050			\$401,533	146,760
10,642			35,382	15,348
10,000				1,997,443
	\$1,399			1,399
	28,253			28,253
				15,000
				144
				75,000
			59,611	59,611
			163,830	163,830
			2,805,000	2,805,000
42,986	29,652		3,465,356	6,351,394
		\$7,467,593		7,467,593
(52,213)				(52,213)
178,350				178,350
				150,580
				16,679
				18,521
				75,000
	18,285			18,285
				53,885
				262,171
	4,840			1,140,126
126,137	23,125	7,467,593		9,328,977
<b>\$169,123</b>	<b>\$52,777</b>	<b>\$7,467,593</b>	<b>\$3,465,356</b>	<b>\$15,680,371</b>

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2002**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Property Taxes	\$1,624,708	
Income Taxes	559,909	
Intergovernmental	3,102,207	\$259,409
Interest	75,417	849
Tuition and Fees	26,009	
Extracurricular Activities		169,269
Gifts and Donations	37,303	35,300
Miscellaneous	32,427	27,200
Total Revenues	<u>5,457,980</u>	<u>492,027</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	2,419,130	92,523
Special	615,771	148,860
Vocational	209,866	
Other	110,545	
Support Services:		
Pupils	164,516	57,316
Instructional Staff	206,711	31,020
Board of Education	9,820	
Administration	537,456	71,486
Fiscal	144,851	
Operation and Maintenance of Plant	415,493	
Pupil Transportation	267,652	378
Central	10,714	
Non-instructional Services	100,140	
Extracurricular Activities	142,756	127,906
Capital Outlay		
Debt Service:		
Principal Retirement	22,643	
Interest and Fiscal Charges	500	
Total Expenditures	<u>5,378,564</u>	<u>529,489</u>
Excess of Revenues Over Expenditures	<u>79,416</u>	<u>(37,462)</u>
<b>Other Financing Sources (Uses):</b>		
Inception of Capital Lease	82,254	
Proceeds of Loan		
Operating Transfers In		140,000
Operating Transfers Out	(140,000)	
Total Other Financing Sources (Uses)	<u>(57,746)</u>	<u>140,000</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	21,670	102,538
Fund Balances at Beginning of Year	<u>1,097,574</u>	<u>268,977</u>
<b>Fund Balances at End of Year</b>	<b><u>\$1,119,244</u></b>	<b><u>\$371,515</u></b>

*See Accompanying Notes to the General-Purpose Financial Statements*

<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	
\$282,069	\$151,955	\$2,058,732
		559,909
24,399	46,946	3,432,961
	458	76,724
		26,009
		169,269
		72,603
		59,627
<u>306,468</u>	<u>199,359</u>	<u>6,455,834</u>
	35,721	2,547,374
		764,631
		209,866
		110,545
		221,832
		237,731
		9,820
		608,942
4,075	3,288	152,214
		415,493
		268,030
	10,500	21,214
		100,140
		270,662
	242,181	242,181
121,170	6,214	150,027
156,232	606	157,338
<u>281,477</u>	<u>298,510</u>	<u>6,488,040</u>
<u>24,991</u>	<u>(99,151)</u>	<u>(32,206)</u>
		82,254
	180,000	180,000
		140,000
		(140,000)
	<u>180,000</u>	<u>262,254</u>
24,991	80,849	230,048
74,826	40,697	1,482,074
<u><b>\$99,817</b></u>	<u><b>\$121,546</b></u>	<u><b>\$1,712,122</b></u>

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2002**

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property Taxes	\$1,621,877	\$1,621,877	
Income Taxes	557,526	557,526	
Intergovernmental	3,102,207	3,102,207	
Interest	77,918	77,918	
Tuition and Fees	26,009	26,009	
Extracurricular Activities			
Gifts and Donations	37,303	37,303	
Miscellaneous	30,206	30,206	
Total Revenues	<u>5,453,046</u>	<u>5,453,046</u>	
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,448,289	2,388,614	\$59,675
Special	609,253	608,549	704
Vocational	232,918	229,913	3,005
Other	110,545	110,545	
Support Services:			
Pupils	169,293	164,934	4,359
Instructional Staff	213,916	212,517	1,399
Board of Education	10,740	7,641	3,099
Administration	538,115	535,800	2,315
Fiscal	142,872	142,680	192
Operation and Maintenance of Plant	435,726	430,153	5,573
Pupil Transportation	288,130	268,172	19,958
Central	16,300	10,868	5,432
Non-Instructional Services	41,803	41,029	774
Extracurricular Activities	144,427	143,184	1,243
Capital Outlay			
Intergovernmental			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>5,402,327</u>	<u>5,294,599</u>	<u>107,728</u>
Excess of Revenues Over (Under) Expenditures	<u>50,719</u>	<u>158,447</u>	<u>107,728</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds of Loan			
Other Financing Sources			
Refund of Prior Year Expenditures	1,890	1,890	
Refund of Prior Year Receipts	(500)		500
Advances In	1,500	1,500	
Advances Out	(15,348)	(15,348)	
Operating Transfers In			
Operating Transfers Out	(140,000)	(140,000)	
Total Other Financing Sources (Uses)	<u>(152,458)</u>	<u>(151,958)</u>	<u>500</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(101,739)	6,489	108,228
Fund Balances at Beginning of Year	1,242,895	1,242,895	
Prior Year Encumbrances Appropriated	19,236	19,236	
<b>Fund Balances at End of Year</b>	<b><u>\$1,160,392</u></b>	<b><u>\$1,268,620</u></b>	<b><u>\$108,228</u></b>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$281,422	\$281,422	
\$210,203	\$210,203		24,399	24,399	
849	849				
170,728	170,728				
35,300	35,300				
<u>417,080</u>	<u>417,080</u>		<u>305,821</u>	<u>305,821</u>	
100,235	83,414	\$16,821			
146,967	141,051	5,916			
45,913	48,566	(2,653)			
22,937	16,695	6,242			
61,614	63,247	(1,633)			
802	802		4,325	4,075	\$250
378	378				
133,595	130,051	3,544			
3,299	3,299				
			121,170	121,170	
			156,232	156,232	
<u>515,740</u>	<u>486,701</u>	<u>29,039</u>	<u>281,727</u>	<u>281,477</u>	<u>250</u>
<u>(98,660)</u>	<u>(69,621)</u>	<u>29,039</u>	<u>24,094</u>	<u>24,344</u>	<u>250</u>
19,700	19,700				
5,348	5,348				
140,000	(1,500)	(1,500)			
	140,000				
<u>165,048</u>	<u>163,548</u>	<u>(1,500)</u>			
66,388	93,927	27,539	24,094	24,344	250
239,698	239,698		56,602	56,602	
35,565	35,565				
<u><b>\$341,651</b></u>	<u><b>\$369,190</b></u>	<u><b>\$27,539</b></u>	<u><b>\$80,696</b></u>	<u><b>\$80,946</b></u>	<u><b>\$250</b></u>

(Continued)

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property Taxes	\$151,735	\$151,735	
Income Taxes			
Intergovernmental	46,235	46,235	
Interest	458	458	
Tuition and Fees			
Extracurricular Activities			
Gifts and Donations			
Miscellaneous			
Total Revenues	198,428	198,428	
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	184,186	185,620	(\$1,434)
Special	300	145	155
Vocational			
Other			
Support Services:			
Pupils			
Instructional Staff	3,404	2,426	978
Board of Education			
Administration	900	360	540
Fiscal	4,550	4,587	(37)
Operation and Maintenance of Plant	23,000	23,086	(86)
Pupil Transportation			
Central	10,500	10,500	
Non-Instructional Services			
Extracurricular Activities	5,000	2,772	2,228
Capital Outlay	212,364	154,255	58,109
Intergovernmental			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	444,204	383,751	60,453
Excess of Revenues Over (Under) Expenditures	(245,776)	(185,323)	60,453
<b>Other Financing Sources (Uses):</b>			
Proceeds of Loan	180,000	180,000	
Other Financing Sources			
Refund of Prior Year Expenditures	39,006	39,006	
Refund of Prior Year Receipts			
Advances In			
Advances Out			
Operating Transfers In			
Operating Transfers Out			
Total Other Financing Sources (Uses)	219,006	219,006	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(26,770)	33,683	60,453
Fund Balances at Beginning of Year	87,309	87,309	
Prior Year Encumbrances Appropriated	19,333	19,333	
<b>Fund Balances at End of Year</b>	<b>\$79,872</b>	<b>\$140,325</b>	<b>\$60,453</b>

See Accompanying Notes to the General-Purpose Financial Statements

<b>Totals (Memorandum Only)</b>		
<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$2,055,034	\$2,055,034	
557,526	557,526	
3,383,044	3,383,044	
79,225	79,225	
26,009	26,009	
170,728	170,728	
72,603	72,603	
30,206	30,206	
<b>6,374,375</b>	<b>6,374,375</b>	
2,732,710	2,657,648	\$75,062
756,520	749,745	6,775
232,918	229,913	3,005
110,545	110,545	
215,206	213,500	1,706
240,257	231,638	8,619
10,740	7,641	3,099
600,629	599,407	1,222
152,549	151,342	1,207
458,726	453,239	5,487
288,508	268,550	19,958
26,800	21,368	5,432
41,803	41,029	774
283,022	276,007	7,015
212,364	154,255	58,109
3,299	3,299	
121,170	121,170	
156,232	156,232	
<b>6,643,998</b>	<b>6,446,528</b>	<b>197,470</b>
<b>(269,623)</b>	<b>(72,153)</b>	<b>197,470</b>
180,000	180,000	
19,700	19,700	
40,896	40,896	
(500)		500
6,848	6,848	
(15,348)	(16,848)	(1,500)
140,000	140,000	
(140,000)	(140,000)	
<b>231,596</b>	<b>230,596</b>	<b>(1,000)</b>
(38,027)	158,443	196,470
1,626,504	1,626,504	
74,134	74,134	
<b>\$1,662,611</b>	<b>\$1,859,081</b>	<b>\$196,470</b>

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**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Fund Equity  
All Proprietary and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
<b>Operating Revenues:</b>			
Sales	\$155,899		\$155,899
Interest		\$50	50
Gifts and Donations		300	300
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	155,899	350	156,249
<b>Operating Expenses:</b>			
Salaries	79,319		79,319
Fringe Benefits	48,930		48,930
Purchased Services	908		908
Materials and Supplies	7,826		7,826
Cost of Sales	94,768		94,768
Depreciation	9,299		9,299
Other Operating Expenses		450	450
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	241,050	450	241,500
Operating Loss	<hr/>	<hr/>	<hr/>
	(85,151)	(100)	(85,251)
<b>Non-Operating Revenues:</b>			
Federal Donated Commodities	15,392		15,392
Operating Grants	38,536		38,536
Interest	166		166
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues	54,094		54,094
Net Loss	<hr/>	<hr/>	<hr/>
	(31,057)	(100)	(31,157)
Retained Earnings/Fund Balance at Beginning of Year - Restated Note 3	<hr/>	<hr/>	<hr/>
	(21,156)	23,225	2,069
Retained Earnings (Deficit)/Fund Balance at End of Year	<hr/>	<hr/>	<hr/>
	(52,213)	23,125	(29,088)
Contributed Capital at Beginning and End of Year	<hr/>	<hr/>	<hr/>
	178,350		178,350
<b>Total Fund Equity at End of Year</b>	<hr/> <b>\$126,137</b> <hr/>	<hr/> <b>\$23,125</b> <hr/>	<hr/> <b>\$149,262</b> <hr/>

*See Accompanying Notes to the General-Purpose Financial Statements*

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
All Proprietary and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2002**

	<b>Enterprise Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$155,220	\$155,220	
Interest	166	166	
Gifts and Donations			
Operating Grants	34,865	34,865	
<b>Total Revenues</b>	<b>190,251</b>	<b>190,251</b>	
<b>Expenses:</b>			
Salaries	78,750	78,355	\$395
Fringe Benefits	49,855	48,648	1,207
Purchased Services	1,425	908	517
Materials and Supplies	91,869	88,922	2,947
Other Expenses			
<b>Total Expenses</b>	<b>221,899</b>	<b>216,833</b>	<b>5,066</b>
Excess of Expenses Over Revenues	(31,648)	(26,582)	5,066
Advances In	10,000	10,000	
Excess of Expenses Over Revenues and Advances	(21,648)	(16,582)	5,066
Fund Balances at Beginning of Year	21,424	21,424	
Prior Year Encumbrances Appropriated	1,269	1,269	
<b>Fund Balances at End of Year</b>	<b>\$1,045</b>	<b>\$6,111</b>	<b>\$5,066</b>

*See Accompanying Notes to the General-Purpose Financial Statements*

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$155,220	\$155,220	
\$50	\$50		216	216	
300	300		300	300	
			34,865	34,865	
350	350		190,601	190,601	
			78,750	78,355	\$395
			49,855	48,648	1,207
			1,425	908	517
			91,869	88,922	2,947
1,750	450	\$1,300	1,750	450	1,300
1,750	450	1,300	223,649	217,283	6,366
(1,400)	(100)	1,300	(33,048)	(26,682)	6,366
			10,000	10,000	
(1,400)	(100)	1,300	(23,048)	(16,682)	6,366
22,775	22,775		44,199	44,199	
450	450		1,719	1,719	
<b>\$21,825</b>	<b>\$23,125</b>	<b>\$1,300</b>	<b>\$22,870</b>	<b>\$29,236</b>	<b>\$6,366</b>

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Cash Flows  
Proprietary Fund Type and Nonexpendable Trust Fund  
For the Fiscal Year Ended June 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$155,220		\$155,220
Cash Received from Gifts and Donations		\$300	300
Cash Payments for Salaries	(78,355)		(78,355)
Cash Payments for Fringe Benefits	(48,648)		(48,648)
Cash Payments for Goods and Services	(89,780)		(89,780)
Cash Payments for Other Expenses		(450)	(450)
Net Cash Used for Operating Activities	<u>(61,563)</u>	<u>(150)</u>	<u>(61,713)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Cash Payments for Fringe Benefits	34,865		34,865
Cash Received from Operating Grants	10,000		10,000
Net Cash Provided by Noncapital Financing Activities	<u>44,865</u>		<u>44,865</u>
<u>Cash Flows from Investing Activities:</u>			
Cash Received from Interest	166	50	216
Net Decrease in Cash and Cash Equivalents	(16,532)	(100)	(16,632)
Cash and Cash Equivalents at Beginning of Year	22,693	23,225	45,918
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$6,161</u></b>	<b><u>\$23,125</u></b>	<b><u>\$29,286</u></b>

**Reconciliation of Operating Loss to Net**

**Cash Used for Operating Activities:**

Operating Loss	(\$85,151)	(\$100)	(\$85,251)
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Adjustments to Reconcile Operating Income Loss to

Net Cash Used for Operating Activities:

Depreciation	9,299		9,299
Donated Commodities Used During Year	15,392		15,392
Interest Reported as Operating Income		(50)	(50)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(679)		(679)
Increase in Prepaid Items	(459)		(459)
Increase in Inventory Held for Resale	(531)		(531)
Decrease in Accounts Payable	(1,151)		(1,151)
Increase in Accrued Wages and Benefits	1,311		1,311
Increase in Compensated Absences Payable	593		593
Increase in Intergovernmental Payable	(187)		(187)

<b>Net Cash Used for Operating Activities</b>	<b><u>(\$61,563)</u></b>	<b><u>(\$150)</u></b>	<b><u>(\$61,713)</u></b>
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**Non-Cash Transactions**

During fiscal year 2002, the School District received donated commodities in the food service enterprise fund, in the amount of \$15,392

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

Cash and Cash Equivalents - All Fiduciary Fund Types	\$52,777
Less Agency Funds	<u>(29,652)</u>
<b>Cash and Cash Equivalents - Nonexpendable Trust Fund</b>	<b><u>\$23,125</u></b>

*See Accompanying Notes to the General-Purpose Financial Statements*

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred thirteen square miles and is located in Hancock, Putnam, and Wood Counties. The School District is the 529th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by thirty-two classified employees, sixty-six certified teaching personnel, and four administrative employees who provide services to eight hundred fifty-nine students and other community members. The School District currently operates an elementary/high school and a middle school.

Reporting Entity

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

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

The School District participates in three jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Cooperative Career Center, Northwestern Ohio Educational Research Council, Inc., Hancock County Schools Health Benefit Fund and Trust, NOACSC Workers' Compensation Group Rating Plan, and the McComb Community Library. Information about these organizations is presented in Notes 20, 21, and 22 to the combined financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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

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

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

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

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Type

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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

Fiduciary Fund Types

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

Account Groups

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

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

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

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

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

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

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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

**C. Budgetary Process**

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

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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

Tax Budget

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

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

Estimated Resources

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

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control.

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

Encumbrances

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

Lapsing of Appropriations

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

**D. Cash and Investments**

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

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

During fiscal year 2002, investments were limited to nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 was \$75,417, which included \$17,585 assigned from other School District funds.

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

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

**F. Inventory**

Inventory is stated at the lower of cost or market on a first-in, first-out basis and is expensed/expensed when used. Inventory consists of administrative supplies, custodial supplies, and donated and purchased food.

**G. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by State statute to be set aside to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

**H. Fixed Assets and Depreciation**

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

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

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

**I. Interfund Assets/Liabilities**

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

**J. Compensated Absences**

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

administrators after fifteen years of service, and for teachers and all other positions after ten years of service with the School District.

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

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

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

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

**L. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the proprietary funds prior to fiscal year 2001 that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Capital contributions received from other governments and private sources subsequent to fiscal year 2000 are recorded as revenues and reported as retained earnings. Contributions from other funds continue to be reported as contributed capital.

**M. Fund Balance Reserves and Designations**

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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

**N. Interfund Transactions**

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

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

**O. Estimates**

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

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

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES/CORRECTION OF AN ERROR AND  
RESTATEMENT OF FUND EQUITY**

For fiscal year 2002, the School District has increased the threshold amount for capitalizing fixed assets. The threshold amount was increased from \$250 to \$1,000. The School District is also recognizing donated commodities as revenue when they are received. In prior years, the School District reported donated commodities as revenue when used.

The fixed assets reported in the general fixed assets account group decreased \$588,449, from \$7,588,465 to \$7,000,016.

Fixed assets and accumulated depreciation in the enterprise funds decreased due to the change in the threshold amount for capitalizing fixed assets. Fixed assets decreased \$11,453, from \$231,324 to \$219,871. Accumulated depreciation decreased \$9,495, from \$71,083 to \$61,588.

For the enterprise funds, retained earnings decreased \$255 from (\$20,901) to (\$21,156) due to the restatement for fixed assets and donated commodities.

**NOTE 4 - ACCOUNTABILITY**

The Bill Tatham Scholarship nonexpendable trust fund had a deficit fund balance of \$100 at June 30, 2002. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

The Food Service enterprise fund had deficit retained earnings of \$52,240 at June 30, 2002, due to expenses exceeding the charges for meals. The School District is reviewing the operation of this fund.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$21,670	\$102,538	\$24,991	\$80,849
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2001, Received in Cash FY 2002	304,434	25,020	18,224	13,781
Accrued FY 2002, Not Yet Received in Cash	(307,531)	(15,311)	(18,871)	(14,712)
Expenditure Accruals:				
Accrued FY 2001, Paid in Cash FY 2002	(588,429)	(37,784)		(4,726)
Accrued FY 2002, Not Yet Paid in Cash	626,085	38,479		55,901

(Continued)

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

	General	Special Revenue	Debt Service	Capital Projects
Cash Adjustments:				
Unrecorded Activity FY 2001	134			
Unrecorded Activity FY 2002	(81)			
Prepaid Items	(11,048)	(251)		(9,148)
Materials and Supplies Inventory	(10,960)			
Advances In	1,500	5,348		
Advances Out	(15,348)	(1,500)		
Excess of Revenues Over Expenditures for Nonbudgeted Funds		(1,482)		
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(13,937)	(21,130)		(88,262)
Budget Basis	\$6,489	\$93,927	\$24,344	\$33,683

Net Loss/Excess of Revenues Under Expenses and Advances Proprietary Fund Type	
	Enterprise
GAAP Basis	(\$31,057)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2001, Received in Cash FY 2002	3,109
Accrued FY 2002, Not Yet Received in Cash	(7,459)
Expense Accruals:	
Accrued FY 2001, Paid in Cash FY 2002	(32,420)
Accrued FY 2002, Not Yet Paid in Cash	32,986
Prepaid Items	(459)
Inventory Held for Resale	(531)
Depreciation Expense	9,299
Advances In	10,000
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(50)
Budget Basis	(\$16,582)

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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

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

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

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

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

At fiscal year end, the School District had \$8,527 in cash and cash equivalents held by the Hancock County Educational Service Center. The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

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

At fiscal year end, the carrying amount of the School District's deposits was \$308,720 and the bank balance was \$419,190. Of the bank balance, \$200,000 was covered by federal depository insurance and \$219,190 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2002, the fair value of funds on deposit with STAR Ohio was \$1,747,853.

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$2,065,100	
Cash and Cash Equivalents with Educational Service Center	(8,527)	
Investments:		
STAR Ohio	(1,747,853)	\$1,747,853
GASB Statement No. 3	\$308,720	\$1,747,853

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of January 1, 2001, 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 received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Hancock, Putnam, and Wood Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at fiscal year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$117,708 in the General Fund, \$18,871 in the Bond Retirement debt service fund, and \$14,001 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2001, was \$114,877 in the General Fund, \$18,224 in the Bond Retirement debt service fund, and \$13,781 in the Permanent Improvement capital projects fund.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$48,227,870	66.12%	\$50,943,540	66.11%
Industrial/Commercial	6,470,460	8.87%	6,454,730	8.38%
Public Utility	5,041,540	6.91%	4,672,340	6.06%
Tangible Personal	13,202,607	18.10%	14,983,523	19.45%
Total Assessed Value	<u>\$72,942,477</u>	<u>100.00%</u>	<u>\$77,054,133</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$35.46</u>		<u>\$35.26</u>	

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

**NOTE 8 - INCOME TAXES**

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

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 2002, consisted of both property and income taxes, accounts (student fees and billings for user charged services), intergovernmental, interfund, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$24,522.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
E-Rate	\$627
Special Revenue Funds	
Other Grants	7,500
Title I	1,091
Title VI	3,086
Drug Free	2,573
Total Special Revenue Funds	14,250
Capital Projects Fund	
SchoolNet	711
Enterprise Fund	
Food Service	3,671
Total	\$19,259

**NOTE 10 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$219,871
Less Accumulated Depreciation	(70,887)
Net Fixed Assets	\$148,984

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/02</u>
Land and Improvements	\$257,067	\$91,181		\$348,248
Buildings and Improvements	4,455,002	33,566		4,488,568
Furniture, Fixtures, and Equipment	1,210,715	374,262	\$70,608	1,514,369
Books	489,248	39,176		528,424
Vehicles	587,984			587,984
Totals	<u>\$7,000,016</u>	<u>\$538,185</u>	<u>\$70,608</u>	<u>\$7,467,593</u>

**NOTE 11 - INTERFUND ASSETS/LIABILITIES**

At June 30, 2002, the General Fund had an interfund receivable, in the amount of \$15,348, and the Title I and Drug Free special revenue funds, and Food Service enterprise fund had interfund payables, in the amount of \$2,775, \$2,573, and \$10,000, respectively.

At June 30, 2002, the General Fund had an advance to other funds and the Permanent Improvement capital projects fund had an advance from other funds, in the amount of \$75,000.

**NOTE 12 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted for the following insurance coverage:

Coverage provided by Utica National Insurance Group is as follows:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$22,035,512
Inland Marine Coverage (\$100 deductible)	234,839
Employee Dishonesty - per loss	100,000

Coverage provided by Nationwide Insurance is as follows:

Automobile Liability	2,000,000
Uninsured Motorists	2,000,000
Medical Payments - per person	3,000

Coverage provided by Great American Alliance Insurance Company is as follows:

General School District Liability	
Per Occurrence	1,000,000
Total per Year	5,000,000
Umbrella Liability Insurance	2,000,000

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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

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

For fiscal year 2002, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

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

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$264,414, \$251,712, and \$147,348, respectively; 82 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$46,490, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments,

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$35,326, \$25,528, and \$33,691, respectively; 47 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$18,795, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2002, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$125,249.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$67,444 for fiscal year 2002.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 15 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

**NOTE 16 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Interest Rate	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Loan Payable	4.72%		\$180,000	\$16,170	\$163,830
FY 1998 School Improvement Bonds	5.19%	\$2,910,000		105,000	2,805,000
Compensated Absences Payable		393,591	7,942		401,533
Intergovernmental Payable		38,564	35,382	38,564	35,382
Capital Leases Payable		6,214	82,254	28,857	59,611
Total General Long-Term Obligations		<u>\$3,348,369</u>	<u>\$305,578</u>	<u>\$188,591</u>	<u>\$3,465,356</u>

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

Loan Payable - On August 8, 2001, the School District obtained a loan, in the amount of \$180,000, for various capital improvements. The loan has an interest rate of 4.72 percent. The loan matures on August 8, 2006, and is being repaid from the Bond Retirement debt service fund.

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

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

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

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

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

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

The School District's overall debt margin was \$4,065,859 with an unvoted debt margin of \$13,041 at June 30, 2002.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002, were as follows:

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$143,494	\$154,702	\$298,196
2004	150,094	148,151	298,245
2005	156,770	141,216	297,986
2006	173,525	133,656	307,181
2007	159,947	124,950	284,897
2008 - 2012	825,000	489,659	1,314,659
2013 - 2017	995,000	225,355	1,220,355
2018 - 2019	365,000	17,981	382,981
Totals	<u>\$2,968,830</u>	<u>\$1,435,670</u>	<u>\$4,404,500</u>

**NOTE 17 - CAPITALIZED LEASES- LESSEE DISCLOSURE**

The School District has entered into capitalized leases for equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Non-Instructional Services" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the combined financial statements for governmental funds. These expenditures are reported as function expenditures on the budgetary statements. The equipment acquired by lease has been capitalized in the general fixed assets account group, in the amount of \$100,950. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments were made in fiscal year 2002, in the amount of \$28,857.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	GLTOAG
2003	27,771
2004	27,771
2005	4,628
Total	60,170
Less Amount Representing Interest	<u>(559)</u>
Present Value of Net Minimum Lease Payments	<u>\$59,611</u>

**NOTE 18 - SET ASIDE REQUIREMENTS**

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

stabilization. For fiscal year 2002, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2001	(\$22,132)		\$16,679
Current Year Set Aside Requirement	102,315	\$102,315	
Qualifying Expenditures	<u>(133,206)</u>	<u>(102,315)</u>	
Amount Carried Forward to Fiscal Year 2003	<u>(\$53,023)</u>		<u>\$16,679</u>
Set Aside Reserve Balance June 30, 2002			<u>\$16,679</u>

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

**NOTE 19 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the McComb Local School District as of and for the fiscal year ended June 30, 2002.

	<u>Food Service</u>	<u>Adult Education</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$155,899		\$155,899
Depreciation Expense	9,299		9,299
Operating Loss	(85,151)		(85,151)
Federal Donated Commodities	15,392		15,392
Operating Grants	38,536		38,536
Net Loss	(31,057)		(31,057)
Net Working Capital	(16,824)	\$27	(16,797)
Total Assets	169,096	27	169,123
Total Equity	126,110	27	126,137
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	50		50

**NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS**

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

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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. During fiscal year 2002, the School District paid \$14,838 to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

**B. Millstream Cooperative Career Center**

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

**C. Northwestern Ohio Educational Research Council, Inc.**

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

**NOTE 21 - INSURANCE POOLS**

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

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

Each member decides which plans offered by the Administrative Committee that will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Tim Smith, Ohio Benefits Group, 545 Pearl Street, Bowling Green, Ohio 43402.

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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

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

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

**NOTE 22 - RELATED ORGANIZATION**

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

**NOTE 23 - STATE SCHOOL FUNDING DECISION**

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

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

**NOTE 24 - CONTINGENT LIABILITIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**B. Litigation**

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



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Suite 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

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

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

To the Board of Education

We have audited the financial statements of McComb Local School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 23, 2002, in which we disclosed the District changed its method of accounting for fixed assets and donated commodities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 23, 2002.

**Internal Control Over Financial Reporting**

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

December 23, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**McCOMB LOCAL SCHOOL DISTRICT**

**HANCOCK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 28, 2003**