



**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of McComb Local School District, Hancock County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the McComb Local School District, Hancock County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

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

Jim Petro
Auditor of State

January 30, 2001

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**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,125,742	\$183,435	\$52,809	\$60,810
Cash and Cash Equivalents with Fiscal Agents		6,249	15,144	
Receivables:				
Property Taxes	1,617,088		236,246	117,510
Income Taxes	172,245			
Accounts	6,254	1,261		
Intergovernmental	1,830	1,000		
Interfund	118,500			
Accrued Interest	5,272			
Prepaid Items	36,480	669		
Materials and Supplies Inventory	3,944			
Inventory Held for Resale				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	36,278			
Cash and Cash Equivalents with Escrow Agent				21,448
Fixed Assets (net, where applicable, of accumulated depreciation)				
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount Available in Special Revenue Fund for Payment of Termination Benefits				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	<u>\$3,123,633</u>	<u>\$192,614</u>	<u>\$304,199</u>	<u>\$199,768</u>

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$45,246	\$54,944	\$0	\$0	\$1,522,986
				21,393
				1,970,844
				172,245
9,865				17,380
5,048				7,878
				118,500
	59			5,331
2,623				39,772
				3,944
3,881				3,881
				36,278
				21,448
163,399		7,302,421		7,465,820
			70,602	70,602
			98,257	98,257
			3,251,239	3,251,239
<u>\$230,062</u>	<u>\$55,003</u>	<u>\$7,302,421</u>	<u>\$3,420,098</u>	<u>\$14,827,798</u>

(continued)

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity, and Other Credits:				
<u>Liabilities:</u>				
Accounts Payable	\$15,402	\$1,994	\$0	\$5,751
Retainage Payable				21,448
Accrued Wages and Benefits	406,390	9,835		
Compensated Absences Payable	10,052			
Intergovernmental Payable	104,594	5,561		
Interfund Payable		18,500		100,000
Deferred Revenue	1,506,073		218,453	104,190
Undistributed Assets				
Due to Students				
Matured Bonds Payable			15,000	
Matured Interest Payable			144	
Capital Lease Payable				
General Obligation Bonds Payable				
Total Liabilities	2,042,511	35,890	233,597	231,389
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Property Taxes	111,015		17,793	13,320
Reserved for Inventory	3,944			
Reserved for Budget Stabilization	36,278			
Reserved for Contributions				
Reserved for Encumbrances	68,460	17,233		67,260
Designated for Termination Benefits		98,257		
Unreserved, Undesignated (Deficit)	861,425	41,234	52,809	(112,201)
Total Fund Equity (Deficit)				
and Other Credits	1,081,122	156,724	70,602	(31,621)
Total Liabilities, Fund Equity, and Other Credits	\$3,123,633	\$192,614	\$304,199	\$199,768

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			
\$47	\$0	\$0	\$0	\$23,194
				21,448
13,983				430,208
2,213			365,959	378,224
9,519			37,263	156,937
				118,500
1,341				1,830,057
	623			623
	31,717			31,717
				15,000
				144
			11,876	11,876
			3,005,000	3,005,000
<u>27,103</u>	<u>32,340</u>	<u>0</u>	<u>3,420,098</u>	<u>6,022,928</u>
		7,302,421		7,302,421
178,350				178,350
24,609				24,609
				142,128
				3,944
				36,278
	18,285			18,285
				152,953
				98,257
	4,378			847,645
<u>202,959</u>	<u>22,663</u>	<u>7,302,421</u>	<u>0</u>	<u>8,804,870</u>
<u>\$230,062</u>	<u>\$55,003</u>	<u>\$7,302,421</u>	<u>\$3,420,098</u>	<u>\$14,827,798</u>

**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, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property Taxes	\$1,628,104	\$0	\$242,572	\$193,812	\$2,064,488
Income Taxes	552,840				552,840
Intergovernmental	2,535,322	196,254	23,340	17,803	2,772,719
Interest	97,524	942		3,072	101,538
Tuition and Fees	11,687				11,687
Extracurricular Activities		111,200			111,200
Gifts and Donations	4	23,933			23,937
Miscellaneous	8,482	17,804			26,286
Total Revenues	4,833,963	350,133	265,912	214,687	5,664,695
Expenditures:					
Current:					
Instruction:					
Regular	2,108,087	12,855			2,120,942
Special	482,769	70,557			553,326
Vocational	192,777				192,777
Other	32,334				32,334
Support Services:					
Pupils	111,398	59,017			170,415
Instructional Staff	189,340	31,950			221,290
Board of Education	10,486				10,486
Administration	501,529	47,027			548,556
Fiscal	124,748	700	4,021	4,861	134,330
Operation and Maintenance of Plant	384,439	914			385,353
Pupil Transportation	251,750				251,750
Central	11,807	192			11,999
Non-Instructional Services	6,532	48			6,580
Extracurricular Activities	117,076	92,728		5,751	215,555
Capital Outlay	20,112	575		263,107	283,794
Debt Service:					
Principal Retirement			90,000	6,820	96,820
Interest and Fiscal Charges			160,003		160,003
Total Expenditures	4,545,184	316,563	254,024	280,539	5,396,310
Excess of Revenues Over (Under) Expenditures	288,779	33,570	11,888	(65,852)	268,385
Other Financing Sources (Uses):					
Operating Transfers In		57,988			57,988
Operating Transfers Out	(57,988)				(57,988)
Total Other Financing Sources (Uses)	(57,988)	57,988	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	230,791	91,558	11,888	(65,852)	268,385
Fund Balances at Beginning of Year	849,259	65,166	58,714	34,231	1,007,370
Increase in Reserve for Inventory	1,072				1,072
Fund Balances (Deficit) at End of Year	\$1,081,122	\$156,724	\$70,602	(\$31,621)	\$1,276,827

See Accompanying Notes to the General Purpose Financial Statements

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$1,572,729	\$1,597,786	\$25,057	\$0	\$0	\$0
Income Taxes	525,750	540,517	14,767			0
Intergovernmental	2,441,361	2,533,972	92,611	179,925	139,218	(40,707)
Interest	80,000	92,247	12,247	1,220	942	(278)
Tuition and Fees	9,500	10,418	918			0
Extracurricular Activities			0	109,480	111,692	2,212
Gifts and Donations	100	4	(96)	16,800	23,933	7,133
Miscellaneous	1,150	2,545	1,395			0
Total Revenues	4,630,590	4,777,489	146,899	307,425	275,785	(31,640)
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	2,152,902	2,150,613	2,289	12,439	8,016	4,423
Special	495,841	491,434	4,407	91,335	72,247	19,088
Vocational	207,595	203,205	4,390			0
Other	33,000	32,334	666			0
Support Services:						
Pupils	116,168	113,316	2,852	56,715	56,715	0
Instructional Staff	200,998	195,589	5,409	13,956	10,269	3,687
Board of Education	12,087	10,597	1,490			0
Administration	516,616	511,876	4,740	46,223	42,509	3,714
Fiscal	131,886	129,256	2,630	1,069	527	542
Operation and Maintenance of Plant	407,595	403,810	3,785	914	914	0
Pupil Transportation	324,664	314,892	9,772			0
Central	15,110	12,480	2,630	192	192	0
Non-Instructional Services	500		500			0
Extracurricular Activities	132,082	129,845	2,237	96,810	92,920	3,890
Capital Outlay	30,531	23,806	6,725	775	575	200
Debt Service:						
Principal Retirement			0			0
Interest and Fiscal Charges			0			0
Total Expenditures	4,777,575	4,723,053	54,522	320,428	284,884	35,544
Excess of Revenues Over (Under) Expenditures	(146,985)	54,436	201,421	(13,003)	(9,099)	3,904
<u>Other Financing Sources (Uses):</u>						
Other Financing Sources			0	18,804	17,804	(1,000)
Proceeds from Sale of Fixed Assets	500		(500)			0
Refund of Prior Year Expenditures	10,000	10,019	19			0
Refund of Prior Year Receipts	(500)		500			0
Advances In	10,000	50,000	40,000	18,500	18,500	0
Advances Out	(168,500)	(168,500)	0			0
Operating Transfers In			0		57,988	57,988
Operating Transfers Out	(57,988)	(57,988)	0			0
Total Other Financing Sources (Uses)	(206,488)	(166,469)	40,019	37,304	94,292	56,988
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(353,473)	(112,033)	241,440	24,301	85,193	60,892
Fund Balances at Beginning of Year	1,179,654	1,179,654	0	68,989	68,989	0
Prior Year Encumbrances Appropriated	18,232	18,232	0	7,062	7,062	0
Fund Balances at End of Year	\$844,413	\$1,085,853	\$241,440	\$100,352	\$161,244	\$60,892

(continued)

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2000
(Continued)**

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$235,619	\$237,206	\$1,587	\$187,985	\$190,324	\$2,339
Income Taxes			0			0
Intergovernmental	22,300	23,340	1,040	17,575	17,803	228
Interest			0		3,072	3,072
Tuition and Fees			0			0
Extracurricular Activities			0			0
Gifts and Donations			0			0
Miscellaneous			0			0
Total Revenues	257,919	260,546	2,627	205,560	211,199	5,639
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular			0	92,912	92,892	20
Special			0			0
Vocational			0			0
Other			0			0
Support Services:						
Pupils			0			0
Instructional Staff			0			0
Board of Education			0			0
Administration			0	750	693	57
Fiscal	4,150	4,021	129	31,323	21,821	9,502
Operation and Maintenance of Plant			0	12,648	12,567	81
Pupil Transportation			0			0
Central			0			0
Non-Instructional Services			0			0
Extracurricular Activities			0	12,275	12,261	14
Capital Outlay			0	204,415	243,909	(39,494)
Debt Service:						
Principal Retirement	90,000	90,000	0			0
Interest and Fiscal Charges	160,003	160,003	0			0
Total Expenditures	254,153	254,024	129	354,323	384,143	(29,820)
Excess of Revenues Over (Under) Expenditures	3,766	6,522	2,756	(148,763)	(172,944)	(24,181)
<u>Other Financing Sources (Uses):</u>						
Other Financing Sources			0			0
Proceeds from Sale of Fixed Assets			0			0
Refund of Prior Year Expenditures			0			0
Refund of Prior Year Receipts			0			0
Advances In			0	150,000	150,000	0
Advances Out			0	(50,000)	(50,000)	0
Operating Transfers In			0			0
Operating Transfers Out			0			0
Total Other Financing Sources (Uses)	0	0	0	100,000	100,000	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,766	6,522	2,756	(48,763)	(72,944)	(24,181)
Fund Balances at Beginning of Year	46,287	46,287	0	64,482	64,482	0
Prior Year Encumbrances Appropriated	0	0	0	17,709	17,709	0
Fund Balances at End of Year	\$50,053	\$52,809	\$2,756	\$33,428	\$9,247	(\$24,181)

See Accompanying Notes to The General Purpose Financial Statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,996,333	\$2,025,316	\$28,983
525,750	540,517	14,767
2,661,161	2,714,333	53,172
81,220	96,261	15,041
9,500	10,418	918
109,480	111,692	2,212
16,900	23,937	7,037
1,150	2,545	1,395
5,401,494	5,525,019	123,525
2,258,253	2,251,521	6,732
587,176	563,681	23,495
207,595	203,205	4,390
33,000	32,334	666
172,883	170,031	2,852
214,954	205,858	9,096
12,087	10,597	1,490
563,589	555,078	8,511
168,428	155,625	12,803
421,157	417,291	3,866
324,664	314,892	9,772
15,302	12,672	2,630
500	0	500
241,167	235,026	6,141
235,721	268,290	(32,569)
90,000	90,000	0
160,003	160,003	0
5,706,479	5,646,104	60,375
(304,985)	(121,085)	183,900
18,804	17,804	(1,000)
500	0	(500)
10,000	10,019	19
(500)	0	500
178,500	218,500	40,000
(218,500)	(218,500)	0
0	57,988	57,988
(57,988)	(57,988)	0
(69,184)	27,823	97,007
(374,169)	(93,262)	280,907
1,359,412	1,359,412	0
43,003	43,003	0
\$1,028,246	\$1,309,153	\$280,907

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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, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<u>Operating Revenues:</u>			
Sales	\$177,473	\$0	\$177,473
Interest		1,198	1,198
Gifts and Donations		750	750
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	177,473	1,948	179,421
<u>Operating Expenses:</u>			
Salaries	72,098		72,098
Fringe Benefits	40,227		40,227
Purchased Services	2,662		2,662
Materials and Supplies	6,618		6,618
Cost of Sales	114,515		114,515
Depreciation	11,510		11,510
Other Operating Expenses		275	275
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	247,630	275	247,905
Operating Income (Loss)	<hr/> (70,157)	<hr/> 1,673	<hr/> (68,484)
<u>Non-Operating Revenues:</u>			
Federal Donated Commodities	16,330		16,330
Operating Grants	39,780		39,780
Interest	943		943
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues	57,053	0	57,053
Net Income (Loss)	(13,104)	1,673	(11,431)
Retained Earnings/Fund Balance at Beginning of Year	<hr/> 37,713	<hr/> 20,990	<hr/> 58,703
Retained Earnings/Fund Balance at End of Year	24,609	22,663	47,272
Contributed Capital at Beginning and End of Year	<hr/> 178,350	<hr/> 0	<hr/> 178,350
Total Fund Equity at End of Year	<u><u>\$202,959</u></u>	<u><u>\$22,663</u></u>	<u><u>\$225,622</u></u>

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2000**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$142,200	\$176,812	\$34,612
Interest	500	943	443
Gifts and Donations			0
Operating Grants	42,000	41,162	(838)
Total Revenues	184,700	218,917	34,217
Expenses:			
Salaries	75,262	74,650	612
Fringe Benefits	39,919	39,778	141
Purchased Services	2,966	2,662	304
Materials and Supplies	106,450	106,339	111
Capital Outlay	150	150	0
Other Expenses			0
Total Expenses	224,747	223,579	1,168
Excess of Revenues Over (Under) Expenses	(40,047)	(4,662)	35,385
Advances In	6,000		(6,000)
Operating Transfers In	7,000		(7,000)
Excess of Revenues Over (Under) Expenses Advances, and Transfers	(27,047)	(4,662)	22,385
Fund Balances at Beginning of Year	48,805	48,805	0
Fund Balances at End of Year	\$21,758	\$44,143	\$22,385

See Accompanying Notes to the General Purpose Financial Statements

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$142,200	\$176,812	\$34,612
275	1,139	864	775	2,082	1,307
200	750	550	200	750	550
		0	42,000	41,162	(838)
475	1,889	1,414	185,175	220,806	35,631
		0	75,262	74,650	612
		0	39,919	39,778	141
		0	2,966	2,662	304
		0	106,450	106,339	111
		0	150	150	0
1,275	275	1,000	1,275	275	1,000
1,275	275	1,000	226,022	223,854	2,168
(800)	1,614	2,414	(40,847)	(3,048)	37,799
		0	6,000	0	(6,000)
		0	7,000	0	(7,000)
(800)	1,614	2,414	(27,847)	(3,048)	24,799
20,990	20,990	0	69,795	69,795	0
\$20,190	\$22,604	\$2,414	\$41,948	\$66,747	\$24,799

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$176,812	\$0	\$176,812
Cash Received from Gifts and Donations		750	750
Cash Payments for Salaries	(74,650)		(74,650)
Cash Payments for Fringe Benefits	(39,778)		(39,778)
Cash Payments to Suppliers for Goods and Services	(108,048)		(108,048)
Cash Payments for Other Expenses		(275)	(275)
Net Cash Provided by (Used for) Operating Activities	<u>(45,664)</u>	<u>475</u>	<u>(45,189)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Cash Received from Operating Grants	<u>41,162</u>		<u>41,162</u>
<u>Cash Flows from Investing Activities:</u>			
Cash Received from Interest	<u>943</u>	<u>1,139</u>	<u>2,082</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,559)	1,614	(1,945)
Cash and Cash Equivalents at Beginning of Year	<u>48,805</u>	<u>20,990</u>	<u>69,795</u>
Cash and Cash Equivalents at End of Year	<u>\$45,246</u>	<u>\$22,604</u>	<u>\$67,850</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(\$70,157)	\$1,673	(\$68,484)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	11,510		11,510
Donated Commodities Used During Year	16,330		16,330
Interest Reported as Operating Income		(1,198)	(1,198)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	71		71
Decrease in Prepaid Items	1,009		1,009
Increase in Inventory Held for Resale	(1,513)		(1,513)
Increase in Accounts Payable	47		47
Decrease in Accrued Wages and Benefits	(1,868)		(1,868)
Decrease in Compensated Absences Payable	(680)		(680)
Decrease in Intergovernmental Payable	(413)		(413)
Net Cash Provided by (Used for) Operating Activities	<u>(\$45,664)</u>	<u>\$475</u>	<u>(\$45,189)</u>
Reconciliation of Nonexpendable Trust Fund Cash and Cash Equivalents to Balance Sheet:			
Cash and Cash Equivalents - All Fiduciary Fund Types	\$54,944		
Less Agency Funds	<u>(32,340)</u>		
Cash and Cash Equivalents - Nonexpendable Trust Fund	<u>\$22,604</u>		

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, 2000**

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred thirteen square miles and is located in Hancock, Putnam, and Wood Counties. The School District is the 538th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by thirty-four classified employees, sixty-one certified teaching personnel, and four administrative employees who provide services to eight hundred sixty-one students and other community members. The School District currently operates an elementary/high school and a middle school.

Reporting Entity

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

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

The School District is associated with two jointly governed organizations, two insurance pools, and a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, Blanchard Valley Cooperative Vocational Career Center, Hancock County Schools Health Benefit Fund and Trust, NOACSC Workers' Compensation Group Rating Plan, and the McComb Community Library. Information about these organizations is presented in Notes 19, 20, and 21 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, 2000
(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

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District did not have any expendable trust funds in fiscal year 2000. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Process

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

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

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

Tax Budget

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

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2000.

Appropriations

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

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

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

Encumbrances

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

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

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".

Cash and cash equivalents held by escrow agents and restricted to the payment of retainage to contractors are included on the combined balance sheet as "Restricted Assets: Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2000, 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, 2000.

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 2000 was \$97,524, which included \$15,119 assigned from other School District funds.

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

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

Inventory of governmental funds is stated at cost while inventory of proprietary funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and supplies

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory in the proprietary funds consists of donated food, purchased food, and school supplies held for resale and is expensed when used.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by State statute to be set aside to create a reserve for budget stabilization. Restricted assets also include amounts that are limited to the payment of retainage to contractors upon completion of a project.

H. Fixed Assets and Depreciation

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

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

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

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables".

J. Compensated Absences

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

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

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

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 and bonds are reported as liabilities in the general long-term obligations account group until due.

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

L. Contributed Capital

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

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

M. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance designations are established to indicate tentative plans for financial resource utilization in future periods. Unreserved, undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, inventories of materials and supplies, budget stabilization, 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, 2000
(Continued)**

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

N. Intergovernmental Revenues

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

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

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

Non-Reimbursable Grants

Special Revenue Funds

- Local Professional Development
- Teen Wellness
- Education Management Information System
- SchoolNet Professional Development
- Ohio Reads
- Safe School Help Line
- Eisenhower
- Title VI-B
- Title I
- Title VI
- Drug Free
- Early Childhood Preschool
- Title VI-R/Class-Size Reduction

Reimbursable Grants

General Fund

- Driver Education

Special Revenue Fund

- Telecommunications

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements were 49 percent of the revenues of the School District's governmental fund types during the 2000 fiscal year.

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

O. 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.

P. 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.

Q. Total Columns on General Purpose Financial Statements

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

Note 3 - Accountability and Compliance

A. Accountability

The following funds had deficit fund balances at June 30,2000:

<u>Fund Type/Fund</u>	<u>Deficit</u>
Special Revenue Funds	
Title I	\$16,704
Title VI	869
Capital Projects Fund	
Permanent Improvement	46,560

The deficits were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

In the Permanent Improvement capital projects fund, the capital outlay account had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2000, in the amount of \$49,991.

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

The District did not certify some obligations prior to the commitment being incurred and failed to certify \$52,373 in commitments as of June 30, 2000, which consequently were charged against fiscal year 2001 appropriations.

Note 4 - Budgetary Basis of Accounting

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$230,791	\$91,558	\$11,888	(\$65,852)
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 1999, Received in Cash FY 2000	249,517	1,753	12,427	9,832
Accrued FY 2000, Not Yet Received in Cash	(295,967)	(2,261)	(17,793)	(13,320)

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

	General	Special Revenue	Debt Service	Capital Projects
Expenditure Accruals:				
Accrued FY 1999, Paid in Cash FY 2000	(639,498)	(22,112)		(57,792)
Accrued FY 2000, Not Yet Paid in Cash	535,789	17,390		27,199
Cash Adjustments:				
Unrecorded Activity FY 1999	113			
Unrecorded Activity FY 2000	(118)			
Prepaid Items	1,889	161		
Advances In	50,000	18,500		150,000
Advances Out	(168,500)			(50,000)
Excess of Revenues Under Expenditures for Nonbudgeted Funds		2,395		
Encumbrances Outstanding at Year End (Budget Basis)	(76,049)	(22,191)		(73,011)
Budget Basis	(\$112,033)	\$85,193	\$6,522	(\$72,944)

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

	Proprietary Fund Type	Nonexpendable Trust
	Enterprise	
GAAP Basis	(\$13,104)	\$1,673
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued FY 1999, Received in Cash FY 2000	15,634	
Accrued FY 2000, Not Yet Received in Cash	(14,913)	(59)
Expense Accruals:		
Accrued FY 1999, Paid in Cash FY 2000	(27,944)	
Accrued FY 2000, Not Yet Paid in Cash	25,762	

**McCOMB LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

Prepaid Items	1,009	
Inventory Held for Resale	(1,513)	
Depreciation Expense	11,510	
Encumbrances Outstanding at Year End (Budget Basis)	(1,103)	
Budget Basis	(\$4,662)	\$1,614

Note 5 - Deposits and Investments

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

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

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

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;

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
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5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

At fiscal year end, the School District had \$6,249 in cash and cash equivalents with fiscal agents 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 \$1,334,487 and the bank balance was \$1,522,025. Of the bank balance, \$200,000 was covered by federal depository insurance and \$1,322,025 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, 2000, the fair value of funds on deposit with STAR Ohio was \$261,369.

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:

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,602,105	
Cash and Cash Equivalents with Educational Service Center	(6,249)	
Investments:		
STAR Ohio	(261,369)	261,369
GASB Statement No. 3	\$1,334,487	\$261,369

Note 6 - 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, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. Real property taxes were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment 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 were levied after April 1, 2000, on the assessed values as of December 31, 1999, 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 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. Tangible personal property taxes were levied after April 1, 1999, on the value as of December 31, 1999. 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, 2000, are available to finance fiscal year 2000 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, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available

**McCOMB LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

as an advance at June 30, 2000, was \$111,015 in the General Fund, \$17,793 in the Bond Retirement debt service fund, and \$13,320 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1999, was \$80,697 in the General Fund, \$12,427 in the Bond Retirement debt service fund, and \$9,832 in the Permanent Improvement capital projects fund.

The assessed values upon which the fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$44,931,840	64.68%	\$47,685,890	65.29%
Industrial/Commercial	6,125,670	8.82	6,477,550	8.87
Public Utility	5,394,330	7.77	5,228,710	7.16
Tangible Personal	13,012,091	18.73	13,645,904	18.68
Total Assessed Value	\$69,463,931	100.00%	\$73,038,054	100.00%
Tax rate per \$1,000 of assessed valuation	\$35.56		\$35.36	

Note 7 - Income Taxes

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

Note 8 - Receivables

Receivables at June 30, 2000, 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 \$17,380.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Driver Education	\$1,350
Hancock County ESC	480
Total General Fund	1,830

**McCOMB LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

Special Revenue Fund	
SchoolNet Professional Development	1,000
Enterprise Fund	
National School Lunch Program	5,048
Total Intergovernmental Receivables	\$7,878

Note 9 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$233,301
Less Accumulated Depreciation	(69,902)
Net Fixed Assets	\$163,399

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Land and Improvements	\$210,916	\$65,652		\$276,568
Buildings and Improvements	4,215,920	150,190		4,366,110
Furniture, Fixtures, and Equipment	1,663,916	75,567	73,361	1,666,122
Books	428,661	37,757		466,418
Vehicles	526,353	850		527,203
Totals	\$7,045,766	\$330,016	\$73,361	\$7,302,421

Note 10 - Interfund Assets/Liabilities

At June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General Fund	\$118,500	
Special Revenue Funds		
Title I		17,000
Title VI		1,500
Total Special Revenue Funds		18,500
Capital Projects Fund		
Permanent Improvement		100,000
Total	\$118,500	\$118,500

**McCOMB LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

Note 11 - 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 2000, the School District contracted for the following insurance coverages:

Coverages provided by Utica National Insurance Group are as follows:

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

Coverages provided by Nationwide/Wausau Insurance are as follows:

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

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

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

For fiscal year 2000, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

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**Notes to the General-Purpose Financial Statements
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(Continued)**

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

Note 12 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. 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, 2000, 1999, and 1998, were \$147,348, \$137,934, and \$223,839, respectively; 82 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$25,881, is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$33,691, \$42,307, and \$47,250, respectively; 45 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$18,619, is recorded as a liability within the respective funds and the general long-term obligations account group.

**McCOMB LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2000, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - 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 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$196,464 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. 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 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$65,527 for fiscal year 2000.

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, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**McCOMB LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

Note 14 - Other Employee Benefits

A. Compensated Absences

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

B. Health Care Benefits

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

Note 15 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Interest Rate	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
FY 1998 School Improvement Bonds	5.19 %	\$3,095,000		\$90,000	\$3,005,000
Compensated Absences Payable		328,159	37,800		365,959
Intergovernmental Payable		38,456	37,263	38,456	37,263
Capital Lease Payable		18,696		6,820	11,876
Total General Long-Term Obligations		<u>\$3,480,311</u>	<u>\$75,063</u>	<u>\$135,276</u>	<u>\$3,420,098</u>

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

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

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
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Year	Amount
2011	\$185,000
2012	195,000
2013	205,000
2014	215,000
2015	185,000
2016	195,000
2017	205,000

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

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

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

The School District's overall debt margin was \$3,639,027 with an unvoted debt margin of \$73,038 at June 30, 2000.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2001	95,000	156,186	251,186
2002	105,000	151,984	256,984
2003	110,000	147,360	257,360
2004	115,000	142,409	257,409
2005 - 2009	695,000	621,164	1,316,164
2010 - 2014	925,000	384,004	1,309,004
2015 - 2019	960,000	121,275	1,081,275
Totals	\$3,005,000	\$1,724,382	\$4,729,382

**McCOMB LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

Note 16 - Capitalized Lease - Lessee Disclosure

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

The equipment acquired by lease has been capitalized in the general fixed assets account group, in the amount of \$18,696. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments were made in fiscal year 2000, in the amount of \$6,820.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30,	GLTOAG
2001	6,820
2002	6,820
Total	13,640
Less Amount Representing Interest	(1,764)
Present Value of Net Minimum Lease Payments	\$11,876

Note 17 - Reservations of Fund Balance

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2000.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 1999			\$15,848
Current Year Set Aside Requirement	108,833	108,833	36,277
Current Year Offset		(108,833)	(15,847)
Qualifying Expenditures	(119,037)		

**McCOMB LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

Amount Carried Forward to Fiscal Year 2001	(\$10,204)		\$36,278
Set Aside Reserve Balance June 30, 2000			\$36,278

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance for the set asides at the end of the fiscal year was \$36,278.

Note 18 - Segment Information for Enterprise Funds

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the McComb Local School District as of and for the fiscal year ended June 30, 2000.

	Food Service	Uniform School Supplies	Adult Education	Total Enterprise Funds
Operating Revenues	\$161,588	\$15,885		\$177,473
Depreciation Expense	11,510			11,510
Operating Income (Loss)	(73,483)	3,326		(70,157)
Federal Donated Commodities	16,330			16,330
Operating Grants	39,780			39,780
Net Income (Loss)	(16,431)	3,327		(13,104)
Net Working Capital	27,499	14,247	27	41,773
Total Assets	215,788	14,247	27	230,062
Total Equity	188,685	14,247	27	202,959
Encumbrances Outstanding at Year End (Budget Basis)	176	927		1,103

Note 19 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The

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**Notes to the General-Purpose Financial Statements
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governing board of NOACSC consists of two representatives from each county. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

B. Blanchard Valley Cooperative Vocational Career Center

The Blanchard Valley Cooperative Vocational Career Center is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Career Center provides vocational instruction to students. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Treasurers from the 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.

Note 20 - Insurance Pools

A. Hancock County Schools Health Benefit Fund and Trust

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

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

B. NOACSC Workers' Compensation Group Rating Plan

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

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

Note 21 - Related Organization

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

**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

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

Note 22 - School Foundation Program

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,229,501 of school foundation support for its General Fund.

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

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

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

Note 23 - 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, 2000.

B. Litigation

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



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

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

To the Board of Education:

We have audited the financial statements of McComb Local School District, Hancock County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 30, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10232-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 30, 2001.

Internal Control Over Financial Reporting

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

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

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

Jim Petro
Auditor of State

January 30, 2001

McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

Schedule of Findings

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

FINDING NUMBER 2000-10232-001

Noncompliance Citation

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

This section also provides two exceptions to the above requirements:

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

As of June 30, 2000, the District had \$52,372 in outstanding purchase commitments that were not certified until September 11, 2000, and as a result were charged against fiscal year 2001 appropriations. The accompanying financial statements have been adjusted to reflect this amount as an outstanding encumbrance in the capital projects fund, as of June 30, 2000. In addition, thirty percent of the transactions tested had not received prior certification nor were they certified using a then-and-now certification.

Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of District funds being over expended or exceeding budgetary spending limitations as set by the Board. To improve controls over disbursements, we recommend that all District disbursements receive prior certification of the Treasurer and that the Board periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the Treasurer and recorded against appropriations.

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**McCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**Schedule of Prior Audit Findings
June 30, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-10232-001	ORC §5705.41(D) Certification of funds	No	The finding has been repeated in this report.



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McCOMB LOCAL SCHOOL DISTRICT

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 20, 2001**