



**Auditor of State  
Betty Montgomery**



**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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 the McComb Local School District, Hancock County, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the McComb Local School District as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and you should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 23, 2005

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**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits:</b>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,236,168	\$ 340,088	\$ 91,332	\$ 128,776
Cash and Cash Equivalents with Fiscal Agents	-	7,313	15,144	-
Receivables:				
Property Taxes	1,704,022	-	285,061	153,925
Income Taxes	207,040	-	-	-
Accounts	20,012	2,003	-	-
Intergovernmental	60	27,956	-	-
Interfund	49,419	-	-	-
Accrued Interest	1,647	-	-	-
Prepaid Items	57,957	1,560	-	-
Materials and Supplies Inventory	9,976	-	-	-
Inventory Held for Resale	-	-	-	-
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	55,558	-	-	-
Advances to Other Funds	50,000	-	-	-
Fixed Assets (net, where applicable, of accumulated depreciation)	-	-	-	-
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	-	-	-	-
Amount Available in Special Revenue Fund for Payment of Termination Benefits	-	-	-	-
Amount to be Provided from General Governmental Resources	-	-	-	-
<b>Total Assets and Other Debits</b>	<b>\$ 3,391,859</b>	<b>\$ 378,920</b>	<b>\$ 391,537</b>	<b>\$ 282,701</b>



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 19,450	\$ 52,370	\$ -	\$ -	\$ 1,868,184
-	-	-	-	22,457
-	-	-	-	2,143,008
-	-	-	-	207,040
323	-	-	-	22,338
5,578	-	-	-	33,594
-	-	-	-	49,419
-	-	-	-	1,647
3,698	-	-	-	63,215
-	-	-	-	9,976
1,773	-	-	-	1,773
-	-	-	-	55,558
-	-	-	-	50,000
139,685	-	7,041,827	-	7,181,512
-	-	-	100,627	100,627
-	-	-	259,626	259,626
-	-	-	2,952,544	2,952,544
<b>\$ 170,507</b>	<b>\$ 52,370</b>	<b>\$ 7,041,827</b>	<b>\$ 3,312,797</b>	<b>\$ 15,022,518</b>

(Continued)

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2003  
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities, Fund Equity, and Other Credits:</b>				
<u>Liabilities:</u>				
Accounts Payable	\$ 26,167	\$ 882	\$ -	\$ 62
Accrued Wages and Benefits	510,063	17,790	-	-
Compensated Absences Payable	8,594	13,301	-	-
Intergovernmental Payable	111,692	2,181	-	-
Interfund Payable	-	19,419	-	-
Deferred Revenue	1,705,612	12,130	275,766	146,794
Undistributed Assets	-	-	-	-
Due to Students	-	-	-	-
Matured Bonds Payable	-	-	15,000	-
Matured Interest Payable	-	-	144	-
Advances from Other Funds	-	-	-	50,000
Capital Leases Payable	-	-	-	-
Loan Payable	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
	2,362,128	65,703	290,910	196,856
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings:				
Unreserved (Deficit)	-	-	-	-
Contributed Capital	-	-	-	-
Fund Balance:				
Reserved for Property Taxes	59,757	-	9,295	7,131
Reserved for Budget Stabilization	16,679	-	-	-
Reserved for Bus Purchase	38,879	-	-	-
Reserved for Advances	50,000	-	-	-
Reserved for Contributions	-	-	-	-
Reserved for Encumbrances	13,059	12,504	-	64,249
Designated for Termination Benefits	-	259,626	-	-
Unreserved, Undesignated	851,357	41,087	91,332	14,465
	1,029,731	313,217	100,627	85,845
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 3,391,859</b>	<b>\$ 378,920</b>	<b>\$ 391,537</b>	<b>\$ 282,701</b>

SEE ACCOMPANYING NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ -	\$ -	\$ -	\$ -	\$ 27,111
17,192	-	-	-	545,045
6,858	-	-	415,673	444,426
11,448	-	-	39,556	164,877
30,000	-	-	-	49,419
-	-	-	-	2,140,302
-	1,390	-	-	1,390
-	26,156	-	-	26,156
-	-	-	-	15,000
-	-	-	-	144
-	-	-	-	50,000
-	-	-	32,232	32,232
-	-	-	130,336	130,336
-	-	-	2,695,000	2,695,000
<u>65,498</u>	<u>27,546</u>	<u>-</u>	<u>3,312,797</u>	<u>6,321,438</u>
-	-	7,041,827	-	7,041,827
(73,341)	-	-	-	(73,341)
178,350	-	-	-	178,350
-	-	-	-	76,183
-	-	-	-	16,679
-	-	-	-	38,879
-	-	-	-	50,000
-	19,785	-	-	19,785
-	-	-	-	89,812
-	-	-	-	259,626
-	5,039	-	-	1,003,280
<u>105,009</u>	<u>24,824</u>	<u>7,041,827</u>	<u>-</u>	<u>8,701,080</u>
<u>\$ 170,507</u>	<u>\$ 52,370</u>	<u>\$ 7,041,827</u>	<u>\$ 3,312,797</u>	<u>\$ 15,022,518</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, 2003**

	Governmental Fund Types	
	General	Special Revenue
<b>Revenues:</b>		
Property Taxes	\$ 1,638,483	\$ -
Income Taxes	577,432	-
Intergovernmental	3,077,848	310,401
Interest	48,178	458
Tuition and Fees	38,802	-
Extracurricular Activities	-	129,941
Gifts and Donations	46,294	28,330
Miscellaneous	21,059	1,200
Total Revenues	5,448,096	470,330
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	2,585,446	101,921
Special	629,603	158,632
Vocational	215,962	-
Support Services:		
Pupils	149,656	49,702
Instructional Staff	216,939	65,735
Board of Education	9,756	-
Administration	581,328	53,848
Fiscal	155,515	2,113
Operation and Maintenance of Plant	457,752	-
Pupil Transportation	292,311	1,330
Central	12,836	-
Non-Instructional Services	17,084	-
Extracurricular Activities	146,274	120,347
Capital Outlay	-	-
Debt Service:		
Principal Retirement	27,379	-
Interest and Fiscal Charges	392	-
Total Expenditures	5,498,233	553,628
Excess of Revenues Over/ (Under) Expenditures	(50,137)	(83,298)
<b>Other Financing Sources (Uses):</b>		
Sale of Fixed Assets	624	-
Operating Transfers In	-	25,000
Operating Transfers Out	(40,000)	-
Total Other Financing Sources (Uses)	(39,376)	25,000
Excess of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	(89,513)	(58,298)
Fund Balances at Beginning of Year	1,119,244	371,515
Fund Balances at End of Year	<b>\$ 1,029,731</b>	<b>\$ 313,217</b>

SEE ACCOMPANYING NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

Governmental Fund Types		Totals
Debt Service	Capital Projects	(Memorandum Only)
\$ 279,184	\$ 147,202	\$ 2,064,869
-	-	577,432
24,003	29,140	3,441,392
-	-	48,636
-	-	38,802
-	-	129,941
-	-	74,624
-	-	22,259
<u>303,187</u>	<u>176,342</u>	<u>6,397,955</u>
-	-	2,687,367
-	-	788,235
-	-	215,962
-	-	199,358
-	-	282,674
-	-	9,756
-	-	635,176
4,180	3,509	165,317
-	-	457,752
-	-	293,641
-	10,500	23,336
-	-	17,084
-	1,269	267,890
-	196,765	196,765
143,494	-	170,873
154,703	-	155,095
<u>302,377</u>	<u>212,043</u>	<u>6,566,281</u>
810	(35,701)	(168,326)
-	-	624
-	-	25,000
-	-	(40,000)
-	-	<u>(14,376)</u>
810	(35,701)	(182,702)
99,817	121,546	1,712,122
<u>\$ 100,627</u>	<u>\$ 85,845</u>	<u>\$ 1,529,420</u>

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2003**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Property Taxes	\$ 1,696,434	\$ 1,696,434	\$ -
Income Taxes	598,401	598,401	-
Intergovernmental	3,077,848	3,077,848	-
Interest	35,547	35,547	-
Tuition and Fees	38,741	38,741	-
Extracurricular Activities	-	-	-
Gifts and Donations	46,294	46,294	-
Miscellaneous	8,179	8,179	-
Total Revenues	<u>5,501,444</u>	<u>5,501,444</u>	<u>-</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,528,397	2,491,882	36,515
Special	660,013	622,934	37,079
Vocational	247,495	215,625	31,870
Other	120,000	72,802	47,198
Support Services:			
Pupils	151,361	151,076	285
Instructional Staff	226,331	219,516	6,815
Board of Education	10,990	10,661	329
Administration	592,234	581,431	10,803
Fiscal	163,948	158,256	5,692
Operation and Maintenance of Plant	464,186	464,092	94
Pupil Transportation	292,518	292,240	278
Central	23,263	13,136	10,127
Non-Instructional Services	47,303	44,855	2,448
Extracurricular Activities	156,245	145,667	10,578
Capital Outlay	-	-	-
Intergovernmental	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>5,684,284</u>	<u>5,484,173</u>	<u>200,111</u>
Excess of Revenues Over/(Under) Expenditures	<u>(182,840)</u>	<u>17,271</u>	<u>200,111</u>
<b>Other Financing Sources (Uses):</b>			
Sale of Fixed Assets	624	624	-
Other Financing Sources	-	-	-
Refund of Prior Year Expenditures	13,609	13,609	-
Advances In	30,348	30,348	-
Advances Out	(40,000)	(39,419)	581
Operating Transfers In	-	-	-
Operating Transfers Out	(40,000)	(40,000)	-
Total Other Financing Sources (Uses)	<u>(35,419)</u>	<u>(34,838)</u>	<u>581</u>
Excess of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	(218,259)	(17,567)	200,692
Fund Balances at Beginning of Year	1,268,620	1,268,620	-
Prior Year Encumbrances Appropriated	13,937	13,937	-
<b>Fund Balances at End of Year</b>	<u><b>\$ 1,064,298</b></u>	<u><b>\$ 1,264,990</b></u>	<u><b>\$ 200,692</b></u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	288,760	288,760	-
-	-	-	-	-	-
194,727	194,727	-	24,003	24,003	-
458	458	-	-	-	-
-	-	-	-	-	-
129,700	129,700	-	-	-	-
28,330	28,330	-	-	-	-
-	-	-	-	-	-
<u>353,215</u>	<u>353,215</u>	<u>-</u>	<u>312,763</u>	<u>312,763</u>	<u>-</u>
127,501	103,436	24,065	-	-	-
153,909	127,438	26,471	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
31,489	31,489	-	-	-	-
-	15,292	(15,292)	-	-	-
-	-	-	-	-	-
60,127	57,041	3,086	-	-	-
-	1,364	(1,364)	4,350	4,180	170
-	-	-	-	-	-
-	1,325	(1,325)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
133,471	122,703	10,768	-	-	-
-	-	-	-	-	-
3,655	3,655	-	-	-	-
-	-	-	151,075	143,494	7,581
-	-	-	154,703	154,703	-
<u>510,152</u>	<u>463,743</u>	<u>46,409</u>	<u>310,128</u>	<u>302,377</u>	<u>7,751</u>
<u>(156,937)</u>	<u>(110,528)</u>	<u>46,409</u>	<u>2,635</u>	<u>10,386</u>	<u>7,751</u>
-	-	-	-	-	-
5,202	8,700	3,498	-	-	-
-	-	-	-	-	-
19,419	19,419	-	-	-	-
(2,573)	(5,348)	(2,775)	-	-	-
25,000	25,000	-	-	-	-
-	-	-	-	-	-
<u>47,048</u>	<u>47,771</u>	<u>723</u>	<u>-</u>	<u>-</u>	<u>-</u>
(109,889)	(62,757)	47,132	2,635	10,386	7,751
369,190	369,190	-	80,946	80,946	-
21,130	21,130	-	-	-	-
<u>\$ 280,431</u>	<u>\$ 327,563</u>	<u>\$ 47,132</u>	<u>\$ 83,581</u>	<u>\$ 91,332</u>	<u>\$ 7,751</u>

(Continued)

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Property Taxes	\$ 154,072	\$ 154,072	\$ -
Income Taxes	-	-	-
Intergovernmental	29,851	29,851	-
Interest	-	-	-
Tuition and Fees	-	-	-
Extracurricular Activities	-	-	-
Gifts and Donations	-	-	-
Miscellaneous	-	-	-
Total Revenues	<u>183,923</u>	<u>183,923</u>	<u>-</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	143,603	143,629	(26)
Special	300	-	300
Vocational	-	-	-
Other	-	-	-
Support Services:			
Pupils	-	-	-
Instructional Staff	3,610	1,543	2,067
Board of Education	-	-	-
Administration	900	2,892	(1,992)
Fiscal	5,874	4,808	1,066
Operation and Maintenance of Plant	7,500	2,430	5,070
Pupil Transportation	2,000	1,398	602
Central	10,500	10,500	-
Non-Instructional Services	-	-	-
Extracurricular Activities	6,130	5,361	769
Capital Outlay	146,531	150,480	(3,949)
Intergovernmental	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>326,948</u>	<u>323,041</u>	<u>3,907</u>
Excess of Revenues Over/(Under) Expenditures	<u>(143,025)</u>	<u>(139,118)</u>	<u>3,907</u>
<b>Other Financing Sources (Uses):</b>			
Sale of Fixed Assets	-	-	-
Other Financing Sources	-	-	-
Refund of Prior Year Expenditures	-	-	-
Advances In	-	-	-
Advances Out	(25,000)	(25,000)	-
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	(168,025)	(164,118)	3,907
Fund Balances at Beginning of Year	140,325	140,325	-
Prior Year Encumbrances Appropriated	88,262	88,262	-
<b>Fund Balances at End of Year</b>	<u><u>\$ 60,562</u></u>	<u><u>\$ 64,469</u></u>	<u><u>\$ 3,907</u></u>

SEE ACCOMPANYING NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS



Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,139,266	\$ 2,139,266	\$ -
598,401	598,401	-
3,326,429	3,326,429	-
36,005	36,005	-
38,741	38,741	-
129,700	129,700	-
74,624	74,624	-
8,179	8,179	-
<u>6,351,345</u>	<u>6,351,345</u>	<u>-</u>
2,799,501	2,738,947	60,554
814,222	750,372	63,850
247,495	215,625	31,870
120,000	72,802	47,198
182,850	182,565	285
229,941	236,351	(6,410)
10,990	10,661	329
653,261	641,364	11,897
174,172	168,608	5,564
471,686	466,522	5,164
294,518	294,963	(445)
33,763	23,636	10,127
47,303	44,855	2,448
295,846	273,731	22,115
146,531	150,480	(3,949)
3,655	3,655	-
151,075	143,494	7,581
154,703	154,703	-
<u>6,831,512</u>	<u>6,573,334</u>	<u>258,178</u>
<u>(480,167)</u>	<u>(221,989)</u>	<u>258,178</u>
624	624	-
5,202	8,700	3,498
13,609	13,609	-
49,767	49,767	-
(67,573)	(69,767)	(2,194)
25,000	25,000	-
(40,000)	(40,000)	-
<u>(13,371)</u>	<u>(12,067)</u>	<u>1,304</u>
(493,538)	(234,056)	259,482
1,859,081	1,859,081	-
123,329	123,329	-
<u>\$ 1,488,872</u>	<u>\$ 1,748,354</u>	<u>\$ 259,482</u>

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**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Fund Equity  
Proprietary Fund Type and Nonexpendable Trust Fund  
For the Fiscal Year Ended June 30, 2003**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Operating Revenues:</b>			
Sales	\$ 147,006	\$ -	\$ 147,006
Interest	-	849	849
Gifts and Donations	-	1,500	1,500
Total Operating Revenues	<u>147,006</u>	<u>2,349</u>	<u>149,355</u>
<b>Operating Expenses:</b>			
Salaries	79,244	-	79,244
Fringe Benefits	53,498	-	53,498
Purchased Services	2,363	-	2,363
Materials and Supplies	6,415	-	6,415
Cost of Sales	92,610	-	92,610
Depreciation	9,299	-	9,299
Other Operating Expenses	-	650	650
Total Operating Expenses	<u>243,429</u>	<u>650</u>	<u>244,079</u>
Operating Income (Loss)	<u>(96,423)</u>	<u>1,699</u>	<u>(94,724)</u>
<b>Non-Operating Revenues:</b>			
Federal Donated Commodities	17,807	-	17,807
Interest	13	-	13
Operating Grants	42,475	-	42,475
Total Non-Operating Revenues	<u>60,295</u>	<u>-</u>	<u>60,295</u>
Income (Loss) Before Operating Transfers	(36,128)	1,699	(34,429)
Operating Transfers In	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Net Income (Loss)	(21,128)	1,699	(19,429)
Retained Earnings (Deficit)/Fund Balance at Beginning of Year	<u>(52,213)</u>	<u>23,125</u>	<u>(29,088)</u>
Retained Earnings (Deficit)/Fund Balance at End of Year	(73,341)	24,824	(48,517)
Contributed Capital at Beginning and End of Year	<u>178,350</u>	<u>-</u>	<u>178,350</u>
<b>Total Fund Equity at End of Year</b>	<b><u>\$ 105,009</u></b>	<b><u>\$ 24,824</u></b>	<b><u>\$ 129,833</u></b>

SEE ACCOMPANYING NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Fund Balances  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
Proprietary Fund Type and Nonexpendable Trust Fund  
For the Fiscal Year Ended June 30, 2003**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Sales	\$ 150,471	\$ 150,471	\$ -
Interest	13	13	-
Gifts and Donations	-	-	-
Operating Grants	40,568	40,568	-
Total Revenues	<u>191,052</u>	<u>191,052</u>	<u>-</u>
<b>Expenses:</b>			
Salaries	78,800	78,064	736
Fringe Benefits	53,080	52,421	659
Purchased Services	1,700	2,363	(663)
Materials and Supplies	87,800	79,915	7,885
Other Expenses	-	-	-
Total Expenses	<u>221,380</u>	<u>212,763</u>	<u>8,617</u>
Excess of Revenues Over/(Under) Expenses	(30,328)	(21,711)	8,617
Advances In	20,000	20,000	-
Operating Transfers In	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Excess of Revenues Over Expenses, Advances, and Transfers	4,672	13,289	8,617
Fund Balances at Beginning of Year	6,111	6,111	-
Prior Year Encumbrances Appropriated	<u>50</u>	<u>50</u>	<u>-</u>
<b>Fund Balances at End of Year</b>	<b><u>\$ 10,833</u></b>	<b><u>\$ 19,450</u></b>	<b><u>\$ 8,617</u></b>

SEE ACCOMPANYING NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 150,471	\$ 150,471	\$ -
849	849	-	862	862	-
1,500	1,500	-	1,500	1,500	-
-	-	-	40,568	40,568	-
<u>2,349</u>	<u>2,349</u>	<u>-</u>	<u>193,401</u>	<u>193,401</u>	<u>-</u>
-	-	-	78,800	78,064	736
-	-	-	53,080	52,421	659
-	-	-	1,700	2,363	(663)
-	-	-	87,800	79,915	7,885
1,500	1,300	200	1,500	1,300	200
<u>1,500</u>	<u>1,300</u>	<u>200</u>	<u>222,880</u>	<u>214,063</u>	<u>8,817</u>
849	1,049	200	(29,479)	(20,662)	8,817
-	-	-	20,000	20,000	-
-	-	-	<u>15,000</u>	<u>15,000</u>	<u>-</u>
849	1,049	200	5,521	14,338	8,817
23,125	23,125	-	29,236	29,236	-
-	-	-	50	50	-
<u>\$ 23,974</u>	<u>\$ 24,174</u>	<u>\$ 200</u>	<u>\$ 34,807</u>	<u>\$ 43,624</u>	<u>\$ 8,817</u>

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Cash Flows  
Proprietary Fund Type and Nonexpendable Trust Fund  
For the Fiscal Year Ended June 30, 2003**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	150,471	-	150,471
Cash Received from Gifts and Donations	-	1,500	1,500
Cash Payments for Salaries	(78,064)	-	(78,064)
Cash Payments for Fringe Benefits	(52,421)	-	(52,421)
Cash Payments for Goods and Services	(82,278)	-	(82,278)
Cash Payments for Other Expenses	-	(650)	(650)
Net Cash Provided by (Used for) Operating Activities	(62,292)	850	(61,442)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Cash Received from Operating Grants	40,568	-	40,568
Cash Received from Advances In	20,000	-	20,000
Cash Received from Operating Transfers In	15,000	-	15,000
Net Cash Provided by Noncapital Financing Activities	75,568	-	75,568
<u>Cash Flows from Investing Activities:</u>			
Cash Received from Interest	13	849	862
Net Increase in Cash and Cash Equivalents	13,289	1,699	14,988
Cash and Cash Equivalents at Beginning of Year	6,161	23,125	29,286
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 19,450</b>	<b>\$ 24,824</b>	<b>\$ 44,274</b>

(Continued)

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Combined Statement of Cash Flows  
Proprietary Fund Type and Nonexpendable Trust Fund  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	\$ (96,423)	\$ 1,699	\$ (94,724)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Depreciation	9,299	-	9,299
Donated Commodities Received During Year	17,807	-	17,807
Interest Reported as Operating Income	-	(849)	(849)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	3,465	-	3,465
Increase in Prepaid Items	(256)	-	(256)
Decrease in Inventory Held for Resale	1,304	-	1,304
Decrease in Accounts Payable	(17)	-	(17)
Increase in Accrued Wages and Benefits	915	-	915
Increase in Compensated Absences Payable	808	-	808
Increase in Intergovernmental Payable	806	-	806
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (62,292)</b>	<b>\$ 850</b>	<b>\$ (61,442)</b>

Non-Cash Transactions

During fiscal year 2003, the Food Service enterprise fund received donated commodities, in the amount of \$17,807.

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

Cash and Cash Equivalents - All Fiduciary Fund Types	\$ 52,370
Less Agency Funds	(27,546)
Cash and Cash Equivalents - Nonexpendable Trust Fund	\$ 24,824

SEE ACCOMPANYING NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

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**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003**

**NOTE 1 - REPORTING ENTITY**

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

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred thirteen square miles and is located in Hancock, Putnam, and Wood Counties. The School District is the 540<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-two classified employees, sixty-five certified teaching personnel, and four administrative employees who provide services to eight hundred eighteen students and other community members. The School District currently operates an elementary/high school and a middle school.

**Reporting Entity**

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

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

The School District participates in four jointly governed organizations and three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Area

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

Computer Services Cooperative, Millstream Cooperative Vocational Career Center, Northwestern Ohio Educational Research Council, Inc., Northwest Ohio Special Education Regional Resource Center, Ohio School Plan, Hancock County Schools Health Benefit Fund and Trust, NOACSC Workers' Compensation Group Rating Plan, and the McComb Community Library. Information about these organizations is presented in Notes 20, 21, and 22 to the combined financial statements.

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

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

**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.

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

GOVERNMENTAL FUND TYPES

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

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

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

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

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

PROPRIETARY FUND TYPE

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

FIDUCIARY FUND TYPES

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

ACCOUNT GROUPS

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

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

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

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

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue. On the accrual basis, expenses are recognized at the time they are incurred. The measurement

**McCOMB LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

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

**C. Budgetary Process**

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

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

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

Tax Budget

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

Estimated Resources

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

Appropriations

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

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for the proprietary fund type and nonexpendable trust fund.

Lapsing of Appropriations

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

**D. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. 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 First Federal Bank, who services the School District's bond/coupon account, are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2003, investments included nonnegotiable certificates of deposit, which are reported at cost, and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

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 2003 was \$48,178, which included \$12,603 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



**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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 is stated at the lower of cost or market on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies, custodial supplies, and donated and purchased food.

**G. Restricted Assets**

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

**H. Fixed Assets and Depreciation**

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

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

**I. Interfund Assets/Liabilities**

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

**J. Compensated Absences**

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

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

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. In general, payments made more than sixty days after fiscal year end are not considered to have been paid using current available expendable resources. Capital leases, long-term loans, and bonds are reported as a liability in the general long-term obligations account group until due.

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

**L. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the proprietary funds prior to fiscal year 2001 that is not subject to repayment. These assets are recorded at their fair market value on the date donated.

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

**M. Fund Balance Reserves and Designations**

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

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

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**Notes to the General-Purpose Financial Statements  
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**N. Interfund Transactions**

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

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

**O. Use of Estimates**

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

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

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

**NOTE 3 - RESTATEMENT**

For fiscal year 2003, the School District will no longer be capitalizing textbooks. As a result, fixed assets reported in the general fixed asset account group decreased by \$528,424, from \$7,467,593 to \$6,939,169, at July 1, 2002.

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2003, the Title I, Title VI, and Title VI-R special revenue funds had deficit fund balances, in the amount of, \$1,723, \$26, and \$5,834, respectively. The General Fund

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provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

At June 30, 2003, the Food Service enterprise fund had deficit retained earnings, in the amount of, \$73,368, as a result of accumulated operating losses from prior years. The School District has increased lunch prices. In addition, for fiscal year 2004 the School District has eliminated a part-time employee and reduced working hours for all food service employees.

**B. Compliance**

At June 30, 2003, the Other Miscellaneous Grants special revenue fund had expenditures in excess of appropriations, in the amount of, \$3,499.

The District did not certify all funds as required by Ohio Revised Code 5705.41(D).

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

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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	\$ (89,513)	\$ (58,298)	\$ 810	\$ (35,701)
Increase (Decrease) Due To:				
Revenue Accruals:				
Accrued FY 2002, Received in Cash FY 2003	307,531	15,311	18,871	14,712
Accrued FY 2003, Not Yet Received in Cash	(227,169)	(17,829)	(9,295)	(7,131)
Expenditure Accruals:				
Accrued FY 2002, Paid in Cash FY 2003	(626,085)	(38,479)	-	(55,901)
Accrued FY 2003, Not Yet Paid in Cash	656,516	34,154	-	62
Cash Adjustments:				
Unrecorded Activity FY 2002	81	-	-	-
Unrecorded Activity FY 2003	(13,486)	-	-	-
Prepaid Items	(6,946)	(376)	-	9,148
Materials and Supplies Inventory	3,825	-	-	-
Advances In	30,348	19,419	-	-
Advances Out	(39,419)	(5,348)	-	(25,000)
Excess Expenditures Over Revenues for Nonbudgeted Funds	-	1,214	-	-
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(13,250)	(12,525)	-	(64,307)
Budget Basis	\$ (17,567)	\$ (62,757)	\$ 10,386	\$ (164,118)

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Net Income (Loss)/Excess of Revenues Over Expenses, Advances, and Transfers Proprietary Fund Type and Nonexpendable Trust Fund	Proprietary Fund Type	Nonexpendable Trust
	Enterprise	Trust
GAAP Basis	\$ (21,128)	\$ 1,699
Increase (Decrease) Due To:		
Revenue Accruals:		
Accrued FY 2002, Received in Cash FY 2003	7,459	-
Accrued FY 2003, Not Yet Received in Cash	(5,901)	-
Expense Accruals:		
Accrued FY 2002, Paid in Cash FY 2003	(32,986)	-
Accrued FY 2003, Not Yet Paid in Cash	35,498	-
Prepaid Items	(256)	-
Inventory Held for Resale	1,304	-
Depreciation Expense	9,299	-
Advances In	20,000	-
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	-	(650)
Budget Basis	\$ 13,289	\$ 1,049

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of

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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 the 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 Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and



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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 \$7,313 in cash and cash equivalents held by the Hancock County Educational Service Center which is included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent". 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 by 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 \$1,434,570, and the bank balance was \$1,594,504. Of the bank balance, \$300,000 was covered by federal depository insurance and \$1,294,504 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance 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 an unclassified investment since they it not evidenced by securities that exist in physical or book entry form. At June 30, 2003, the fair value of funds on deposit with STAR Ohio was \$504,316.

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 1,946,199	\$ -
Cash and Cash Equivalents with Educational Service Center	(7,313)	-
Investments:		
STAR Ohio	(504,316)	504,316
GASB Statement No. 3	\$ 1,434,570	\$ 504,316

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, 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 property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2001, were levied after April 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true

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value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2003, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$59,757 in the General Fund, \$9,295 in the Bond Retirement debt service fund, and \$7,131 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$117,708 in the General Fund, \$18,871 in the Bond Retirement debt service fund, and \$14,001 in the Permanent Improvement capital projects fund.

The assessed values upon which fiscal year 2003 taxes were collected are:

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	2002 Second - Half Collections		2003 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 50,943,540	66.11%	\$ 50,973,510	65.23%
Industrial/Commercial	6,454,730	8.38%	6,808,970	8.71%
Public Utility	4,672,340	6.06%	4,878,210	6.24%
Tangible Personal	14,983,523	19.45%	15,486,883	19.82%
Total Assessed Value	\$ 77,054,133	100.00%	\$ 78,147,573	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 35.26		\$ 35.16	

**NOTE 8 - INCOME TAXES**

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

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 2003, consisted of both property and income taxes, accounts (billings for user charged services and student fees), 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. Accounts receivable at June 30 were \$22,338.

A summary of the principal items of intergovernmental receivables follows:

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	Amounts
General Fund	
Hancock County	\$ 60
Special Revenue Funds	
Title I	11,429
Title VI	982
Title VI-R	15,545
Total Special Revenue Funds	27,956
Enterprise Fund	
Food Service	5,578
Total Intergovernmental Receivables	\$ 33,594

**NOTE 10 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$ 219,871
Less Accumulated Depreciation	(80,186)
Net Fixed Assets	\$ 139,685

A summary of the changes in general fixed assets during fiscal year 2003 follows:

	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
Land and Improvements	\$ 348,248	\$ 29,734	\$ -	\$ 377,982
Buildings	4,488,568	121,676	-	4,610,244
Furniture and Equipment	1,514,369	40,021	90,171	1,464,219
Vehicles	587,984	1,398	-	589,382
Total General Fixed Assets	\$ 6,939,169	\$ 192,829	\$ 90,171	\$ 7,041,827

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**NOTE 11 - INTERFUND ASSETS/LIABILITIES**

At June 30, 2003, the General Fund had an interfund receivable, in the amount of \$49,419, and the Title VI and Title VI-R special revenue funds, and Food Service enterprise fund had interfund payables, in the amount of \$1,001, \$18,418, and \$30,000, respectively.

At June 30, 2003, the General Fund had an advance to other funds and the Permanent Improvement capital projects fund had an advance from other funds, in the amount of \$50,000.

**NOTE 12 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted for the following insurance coverage:

Coverage provided by Mid-American Fire and Casualty Company is as follows:

Buildings and Contents (\$1,000 deductible)	\$ 22,035,512
Inland Marine Coverage (\$250 deductible)	253,536

Coverage provided by The Ohio School Plan is as follows:

Automobile Liability	\$ 1,000,000
General School District Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000
Employees Benefits Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000
Employers Liability	1,000,000

Coverage provided by Twin City Fire Insurance Company is as follows:

Excess Liability	\$ 2,000,000
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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.

For fiscal year 2003, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan

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for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

For fiscal year 2003, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Gates McDonald provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001 was \$375,228, \$264,414, and \$251,712, respectively; 82 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$147 made by the School District and \$120 made by plan members.

**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.



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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 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, 2003, 2002, and 2001 were \$55,172, \$35,326, and \$25,528, respectively; 43 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**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, 2003, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$28,875.

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STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 eligible benefit recipients.

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

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$52,876 for fiscal year 2003.

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, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 15 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

their accrued, but unused sick leave credit to a maximum of fifty-five and three-fourths days.

**B. Health Care Benefits**

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

**NOTE 16 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Interest Rate	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
Loan Payable	4.72%	\$ 163,830	\$ -	\$ 33,494	\$ 130,336
FY 1998 School					
Improvement Bonds	5.19%	2,805,000	-	110,000	2,695,000
Compensated Absences Payable		401,533	14,140	-	415,673
Intergovernmental Payable		35,382	39,556	35,382	39,556
Capital Leases Payable		59,611	-	27,379	32,232
Total General Long-Term Obligations		<u>\$ 3,465,356</u>	<u>\$ 53,696</u>	<u>\$ 206,255</u>	<u>\$ 3,312,797</u>

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

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

<u>Year</u>	<u>Amount</u>
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:

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

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

The School District's overall debt margin was \$4,299,278 with an unvoted debt margin of \$39,144 at June 30, 2003.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, were as follows:

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$ 150,094	\$ 148,151	\$ 298,245
2005	156,770	141,216	297,986
2006	173,525	133,656	307,181
2007	159,947	125,416	285,363
2008	145,000	118,216	263,216
2009 - 2013	875,000	437,724	1,312,724
2014 - 2018	1,005,000	172,855	1,177,855
2019	160,000	4,200	164,200
Totals	<u>\$ 2,825,336</u>	<u>\$ 1,281,434</u>	<u>\$ 4,106,770</u>

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

The School District has entered into capitalized leases for equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. 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 \$82,254. 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 2003, in the amount of \$27,379.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30,	GLTOAG
2004	\$ 27,771
2005	4,628
Total	32,399
Less Amount Representing Interest	(167)
Present Value of Net Minimum Lease Payments	<u>\$ 32,232</u>

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

**NOTE 18 - SET ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2003, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2003.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2002	\$ (53,023)	\$ -	\$ 16,679
Current Year Set Aside Requirement	113,735	113,735	-
Current Year Offset	-	(113,735)	
Qualifying Expenditures	(122,826)	-	-
Amount Carried Forward to Fiscal Year 2004	<u>\$ (62,114)</u>	<u>\$ -</u>	<u>\$ 16,679</u>
Set Aside Reserve Balance June 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,679</u>

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

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

The School District maintains two enterprise funds to account for the operations of food service and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the McComb Local School District as of and for the fiscal year ended June 30, 2003.

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

	Food Service	Adult Education	Total Enterprise Funds
Operating Revenues	\$ 147,006	\$ -	\$ 147,006
Depreciation Expense	9,299	-	9,299
Operating Loss	(96,423)	-	(96,423)
Federal Donated Commodities	17,807	-	17,807
Operating Grants	42,475	-	42,475
Operating Transfers In	15,000	-	15,000
Net Loss	(21,128)	-	(21,128)
Net Working Capital	(27,845)	27	(27,818)
Total Assets	170,480	27	170,507
Total Equity	104,982	27	105,009

**NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS**

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

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2003, the School District paid \$12,090 to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

**B. Millstream Cooperative Vocational Career Center**

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

**McCOMB LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, Pam Barber, who serves as treasurer, 227 South West Street, Findlay, Ohio 45840-3377.

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

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

**D. Northwest Ohio Special Education Regional Resource Center**

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



**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

**NOTE 21 - INSURANCE POOLS**

**A. Ohio School Plan**

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

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

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

Each member decides which plans offered by the Administrative Committee 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.

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

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

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

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

**NOTE 22 - RELATED ORGANIZATION**

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

**NOTE 23 - STATE SCHOOL FUNDING DECISION**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**NOTE 24 - CONTINGENT LIABILITIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

**B. Litigation**

The District is currently not involved in litigation either as a plaintiff or defendant.

**NOTE 25 - SUBSEQUENT EVENTS**

Starting January 1, 2005 the District began collecting an additional 0.5 percent income tax for general operations. The levy is for a 5 year period.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 the McComb Local School District, Hancock County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated February 23, 2005.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting 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 the District's management in a separate letter dated February 23, 2005.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 23, 2005

**McCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Schedule of Findings  
June 30, 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D), states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract 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 encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**1. "Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2003-001**  
**(Continued)**

**3. Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Thirty-eight percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure 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 all District disbursements received prior certification of the Treasurer and 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.





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

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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  
MARCH 22, 2005**