



**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Mary Taylor, CPA**  
Auditor of State



**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

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# Mary Taylor, CPA

Auditor of State

## 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 financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of McComb Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of McComb Local School District, Hancock County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

April 25, 2007

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited**

The discussion and analysis of the financial performance of McComb Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2006 are as follows:

- In total, net assets increased \$153,205 less than 5 percent.
- General revenues accounted for \$6,540,733, or 87 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,002,058, or 13 percent of total revenues of \$7,542,791.
- The District's major fund is the General Fund. The General Fund had \$6,235,549 in revenues and \$6,157,813 in expenditures and other financing uses. The General Fund's balance increased \$77,736 from the prior fiscal year.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund is the only major fund.

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

**Reporting the District's Most Significant Funds**

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental fund is the General Fund. While the District uses many funds to account for its financial transactions, the General Fund is the most significant.

Governmental Funds - Most of the District's activities are reported in the governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

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



**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 1  
Net Assets  
Governmental Activities**

	<b>2006</b>	<b>2005</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$4,806,897	\$4,557,548
Capital Assets, Net	4,369,895	4,577,951
Total Assets	9,176,792	9,135,499
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	2,943,847	2,843,339
Long-Term Liabilities	2,732,867	2,945,287
Total Liabilities	5,676,714	5,788,626
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	2,024,943	2,059,467
Restricted	434,417	417,991
Unrestricted	1,040,718	869,415
Total	\$3,500,078	\$3,346,873

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 2  
Change in Net Assets  
Governmental Activities**

	2006	2005
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services	\$483,276	\$521,194
Operating Grants and Contributions	499,225	501,914
Capital Grants and Contributions	19,557	26,787
Total Program Revenues	1,002,058	1,049,895
General Revenues:		
Property Taxes	2,170,214	2,123,805
Income Taxes	946,220	707,900
Grants and Entitlements	3,310,599	3,278,586
Interest	96,450	59,379
Gifts and Donations	14,858	31,232
Miscellaneous	2,392	21,288
Total General Revenues	6,540,733	6,222,190
Total Revenues	7,542,791	7,272,085
<b><u>Expenses:</u></b>		
Instruction	4,272,837	4,099,574
Support Services:		
Pupils	324,234	283,764
Instructional Staff	264,267	267,670
Board of Education	14,302	11,076
Administration	655,802	690,590
Fiscal	180,572	202,898
Operation and Maintenance of Plant	568,324	495,654
Pupil Transportation	378,570	370,187
Central	22,641	17,896
Non-Instructional	247,259	243,543
Extracurricular Activities	286,885	293,717
Capital Outlay	40,243	117,917
Interest and Fiscal Charges	133,650	141,313
Total Expenses	7,389,586	7,235,799
Increase in Net Assets	\$153,205	\$36,286

The increase in income tax revenues had a significant effect on the increase in net assets.

**Governmental Activities**

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

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
Instruction	\$4,272,837	\$3,652,934	\$4,099,574	\$3,450,189
Support Services:				
Pupils	324,234	319,234	283,764	266,264
Instructional Staff	264,267	264,267	267,670	267,670
Board of Education	14,302	14,302	11,076	11,076
Administration	655,802	655,802	690,590	690,590
Fiscal	180,572	180,572	202,898	202,898
Operation and Maintenance of Plant	568,324	568,324	495,654	495,654
Pupil Transportation	378,570	373,001	370,187	360,870
Central	22,641	22,641	17,896	17,896
Non-Instructional	247,259	20,292	243,543	29,388
Extracurricular Activities	286,885	142,266	293,717	134,179
Capital Outlay	40,243	40,243	117,917	117,917
Interest and Fiscal Charges	133,650	133,650	141,313	141,313
<b>Total Expenses</b>	<b>\$7,389,586</b>	<b>\$6,387,528</b>	<b>\$7,235,799</b>	<b>\$6,185,904</b>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 85 percent of instruction activities is supported through taxes and other general revenues. For all governmental activities, support from general revenues is 87 percent. The remaining 13 percent is derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental fund is the General Fund. Total governmental funds had revenues and other financing sources of \$7,521,903 and expenditures and other financing uses of \$7,433,950. The net positive change of \$87,953 in fund balance for the year indicates that the District is able to meet current costs.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006, the District amended its General Fund budget as needed.

Final expenditures and other financing uses were budgeted at \$6,272,894 while actual expenditures and other financing uses were \$6,260,300. The \$12,594 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2006, the District had \$4,369,895 invested in capital assets (net of accumulated depreciation) for governmental activities.

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

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

**Debt**

At June 30, 2006, the District had \$2,325,000 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-two year period, with final maturity on December 1, 2018. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2006, the District's overall legal debt margin was \$3,333,584, with an un-voted debt margin of \$62,873.

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

**Current Issues**

The District is holding its own in the state of a declining economy and uncertainty in State funding. McComb is a small rural community of approximately 1,700 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. 49 percent of District revenue sources are from local funds, 46 percent are from state funds and the remaining 5 percent are from federal funds. The total expenditure per pupil was calculated at \$8,606.

In March 2004, the District passed a five-year additional ½% Income Tax beginning January 1, 2005 to generate approximately \$300,000 annually for five years. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

**Contacting the District's Financial Management**

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

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Net Assets  
June 30, 2006**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,946,501
Cash and Cash Equivalents	
with Fiscal Agents	15,144
Accounts Receivable	802
Accrued Interest Receivable	40,499
Intergovernmental Receivable	17,280
Prepaid Items	64,276
Materials and Supplies Inventory	22,158
Income Taxes Receivable	414,322
Property Taxes Receivable	2,285,915
Nondepreciable Capital Assets	145,248
Depreciable Capital Assets, Net	4,224,647
Total Assets	9,176,792
<u>Liabilities:</u>	
Accounts Payable	42,359
Accrued Wages and Benefits Payable	590,186
Intergovernmental Payable	151,752
Matured Compensated Absences Payable	54,078
Matured Bonds Payable	15,000
Matured Interest Payable	144
Deferred Revenue	2,090,328
Long-Term Liabilities:	
Due Within One Year	174,664
Due in More Than One Year	2,558,203
Total Liabilities	5,676,714
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	2,024,943
Restricted For:	
Debt Service	120,274
Capital Projects	91,060
Other Purposes	223,083
Unrestricted	1,040,718
Total Net Assets	\$3,500,078

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2006**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$3,030,368	\$197,923	\$62,758	\$9,000	(\$2,760,687)
Special	742,081		293,936		(448,145)
Vocational	258,949		56,286		(202,663)
Other	241,439				(241,439)
Support Services:					
Pupils	324,234		5,000		(319,234)
Instructional Staff	264,267				(264,267)
Board of Education	14,302				(14,302)
Administration	655,802				(655,802)
Fiscal	180,572				(180,572)
Operation and Maintenance of Plant	568,324				(568,324)
Pupil Transportation	378,570			5,569	(373,001)
Central	22,641				(22,641)
Non-Instructional Services	247,259	145,722	81,245		(20,292)
Extracurricular Activities	286,885	139,631		4,988	(142,266)
Capital Outlay	40,243				(40,243)
Debt Service:					
Interest and Fiscal Charges	133,650				(133,650)
<b>Total Governmental Activities</b>	<b>\$7,389,586</b>	<b>\$483,276</b>	<b>\$499,225</b>	<b>\$19,557</b>	<b>(6,387,528)</b>
<u>General Revenues:</u>					
Property Taxes Levied for General Purposes					1,728,058
Property Taxes Levied for Capital Outlay					178,224
Property Taxes Levied for Debt Service					263,932
Income Taxes					946,220
Grants and Entitlements not Restricted to Specific Programs					3,310,599
Interest					96,450
Gifts and Donations					14,858
Miscellaneous					2,392
<b>Total General Revenues</b>					<b>6,540,733</b>
Change in Net Assets					153,205
Net Assets at Beginning of Year					3,346,873
<b>Net Assets at End of Year</b>					<b>\$3,500,078</b>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2006**

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,424,992	\$521,509	\$1,946,501
Cash and Cash Equivalents with Fiscal Agents		15,144	15,144
Accounts Receivable	227	575	802
Accrued Interest Receivable	40,499		40,499
Intergovernmental Receivable		17,280	17,280
Prepaid Items	60,045	4,231	64,276
Materials and Supplies Inventory	7,693	14,465	22,158
Income Taxes Receivable	414,322		414,322
Property Taxes Receivable	1,811,014	474,901	2,285,915
Advances to Other Funds	88,000		88,000
<b>Total Assets</b>	<b>3,846,792</b>	<b>1,048,105</b>	<b>4,894,897</b>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	32,100	10,259	42,359
Accrued Wages and Benefits Payable	566,392	23,794	590,186
Intergovernmental Payable	141,949	9,803	151,752
Matured Bonds Payable		15,000	15,000
Matured Interest Payable		144	144
Matured Compensated Absences Payable	22,261	31,817	54,078
Advances from Other Funds		88,000	88,000
Deferred Revenue	1,798,330	452,230	2,250,560
<b>Total Liabilities</b>	<b>2,561,032</b>	<b>631,047</b>	<b>3,192,079</b>
<u>Fund Balances:</u>			
Reserved for Property Taxes	83,053	22,671	105,724
Reserved for Advances	88,000		88,000
Reserved for Encumbrances	9,321	20,686	30,007
Unreserved, Designated for:			
Special Revenue Funds		274,463	274,463
Unreserved, Undesignated, Reported in:			
General Fund	1,105,386		1,105,386
Special Revenue Funds (Deficit)		(53,795)	(53,795)
Debt Service Fund		98,711	98,711
Capital Projects Funds		54,322	54,322
<b>Total Fund Balances</b>	<b>1,285,760</b>	<b>417,058</b>	<b>1,702,818</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$3,846,792</b>	<b>\$1,048,105</b>	<b>\$4,894,897</b>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2005**

Total Governmental Fund Balances		\$1,702,818
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,369,895
Taxes and Intergovernmental Receivables that do not provide financial resources are not reported as revenues in governmental fund.		160,232
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds and Loan Payable	(\$2,344,952)	
Compensated Absences Payable	<u>(387,915)</u>	
		<u>(2,732,867)</u>
Net Assets of Governmental Activities		<u><u>\$3,500,078</u></u>

See Accompanying Notes to the Basic Financial Statements



**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2006**

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$1,685,896	\$433,047	\$2,118,943
Income Taxes	933,703		933,703
Intergovernmental	3,319,233	\$508,060	3,827,293
Interest	96,402	48	96,450
Tuition and Fees	194,963		194,963
Rent	1,060		1,060
Extracurricular Activities		124,228	124,228
Charges for Services	1,900	145,722	147,622
Gifts and Donations		35,249	35,249
Miscellaneous	2,392		2,392
Total Revenues	<u>6,235,549</u>	<u>1,246,354</u>	<u>7,481,903</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,775,407	173,734	2,949,141
Special	661,797	68,410	730,207
Vocational	253,567		253,567
Other	241,439		241,439
Support Services:			
Pupils	130,715	193,805	324,520
Instructional Staff	238,272	34,378	272,650
Board of Education	14,302		14,302
Administration	598,705	50,803	649,508
Fiscal	168,414	10,369	178,783
Operation and Maintenance of Plant	522,178	25,060	547,238
Pupil Transportation	347,835		347,835
Central	13,641	9,000	22,641
Non-Instructional Services		244,019	244,019
Extracurricular Activities	151,541	119,134	270,675
Capital Outlay		40,243	40,243
Debt Service:			
Principal		173,532	173,532
Interest and Fiscal Charges		133,650	133,650
Total Expenditures	<u>6,117,813</u>	<u>1,276,137</u>	<u>7,393,950</u>
Excess of Revenues Over (Under) Expenditures	117,736	(29,783)	87,953
<u>Other Financing Sources and (Uses):</u>			
Transfers In		40,000	40,000
Transfers Out	(40,000)		(40,000)
Total Other Financing Sources and (Uses)	<u>(40,000)</u>	<u>40,000</u>	
Changes in Fund Balances	77,736	10,217	87,953
Fund Balances at Beginning of Year	1,208,024	406,841	1,614,865
Fund Balances at End of Year	<u>\$1,285,760</u>	<u>\$417,058</u>	<u>\$1,702,818</u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement of Activities  
For the Fiscal Year Ended June 30, 2006**

Changes in Fund Balances - Total Governmental Funds		\$87,953
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current fiscal year:</p>		
Capital Outlay - Depreciable Capital Assets	\$71,953	
Depreciation	<u>(262,211)</u>	(190,258)
<p>The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of, resulting in a loss on disposal of capital assets on the statement of activities.</p>		
		(17,798)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Intergovernmental	(2,900)	
Income Taxes	12,517	
Delinquent Property Taxes	<u>51,271</u>	60,888
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.</p>		
Bonds and Loan Payable		173,532
<p>Some expenses reported on the statement of activities such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>		
Compensated Absences Payable		<u>38,888</u>
Change in Net Assets of Governmental Activities		<u><u>\$153,205</u></u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$1,753,927	\$1,698,079	\$1,698,079	
Income Taxes	904,551	842,143	842,143	
Intergovernmental	3,270,247	3,319,233	3,319,233	
Interest	36,672	65,304	65,304	
Tuition and Fees	115,542	194,736	194,736	
Rent	1,015	1,060	1,060	
Customer Sales and Service	2,245	1,900	1,900	
Miscellaneous	14,870	14,433	14,437	\$4
<b>Total Revenues</b>	<b>6,099,069</b>	<b>6,136,888</b>	<b>6,136,892</b>	<b>4</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,776,952	2,804,652	2,802,879	1,773
Special	651,302	665,452	664,409	1,043
Vocational	247,605	257,970	255,437	2,533
Other	110,000	240,330	239,703	627
<b>Support Services:</b>				
Pupils	145,870	129,575	129,315	260
Instructional Staff	237,467	240,367	238,909	1,458
Board of Education	10,075	14,505	14,296	209
Administration	638,047	613,544	611,190	2,354
Fiscal	170,931	167,433	166,611	822
Operation and Maintenance of Plant	521,942	531,922	531,596	326
Pupil Transportation	341,279	351,779	351,461	318
Central	14,200	14,200	13,383	817
<b>Non-Instructional Services</b>				
Extracurricular Activities	164,880	151,540	151,486	54
<b>Total Expenditures</b>	<b>6,031,650</b>	<b>6,183,269</b>	<b>6,170,675</b>	<b>12,594</b>
Excess of Revenues Over (Under) Expenditures	67,419	(46,381)	(33,783)	12,598
<b>Other Financing Sources (Uses):</b>				
Transfers In	264	205	205	
Sale of Capital Assets	746			
Refund of Prior Year Expenditures	1,000			
Advances In	26,000	18,628	18,628	
Transfers Out	(25,000)	(41,625)	(41,625)	
Advances Out	(15,000)	(48,000)	(48,000)	
<b>Total Other Financing Sources (Uses)</b>	<b>(11,990)</b>	<b>(70,792)</b>	<b>(70,792)</b>	
Changes in Fund Balance	55,429	(117,173)	(104,575)	12,598
Fund Balance at Beginning of Year	1,486,071	1,486,071	1,486,071	
Prior Year Encumbrances Appropriated	20,413	20,413	20,413	
<b>Fund Balance at End of Year</b>	<b>\$1,561,913</b>	<b>\$1,389,311</b>	<b>\$1,401,909</b>	<b>\$12,598</b>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006**

	Private Purpose Trust	Agency Fund
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$26,896	\$42,204
<u>Liabilities:</u>		
Undistributed Assets		1,108
Due to Students		41,096
Total Liabilities		42,204
<u>Net Assets:</u>		
Held in Trust for Scholarships	26,896	
Total Net Assets	\$26,896	

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006**

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Interest	\$1,532
Gifts and Contributions	<u>1,500</u>
Total Additions	3,032
 <u>Deductions:</u>	
Payments in Accordance with Trust Agreements	<u>1,900</u>
 Changes in Net Assets	1,132
Net Assets Beginning of the Year	<u>25,764</u>
Net Assets End of Year	<u><u>\$26,896</u></u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The McComb Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District is the 537th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 32 classified employees and 68 certified teaching personnel, who provide services to 753 students and other community members. The board oversees the operations of the District's four instructional/support facilities.

**The Reporting Entity**

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

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

The District participates in four jointly governed organizations and three insurance pools, and is associated with a related organization. These organizations include the Northwest Ohio Area Computer Services Cooperative, Millstream Cooperative Vocational Career Center, the Northwestern Ohio Educational Research Council, Inc., Northwest Ohio Special Education Regional Resource Center, Ohio School Plan, Hancock County Schools Health Benefit Fund, Sheakley Uniservice, Inc., and the McComb Community Library. Information about these organizations is presented in Notes 14, 15, and 16 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

**A. Basis of Presentation**

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

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District has one major governmental fund.

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

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

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Fiduciary Funds

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

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.



**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Revenues - Exchange and Non-exchange Transactions

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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a 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 to be both measurable and available at fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenditures/Expenses

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

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

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund/function level for the General Fund and the fund level for all other budgeted funds. Any budgetary modifications at this level may only be made by the Board of Education.

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

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2006, investments were limited to nonparticipating investment contracts, which are certificates of deposit, reported at cost.

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 following funds in fiscal year 2006, was \$96,402 for the General Fund and \$48 to other funds.

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**H. Inventory**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, purchased food, and school supplies held for resale and are expensed when used. The cost of inventory items is recorded as an expenditure when purchased.

**I. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation.

**J. Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; 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. Interest incurred during construction of capital assets is also not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<b>Description</b>	<b>Estimated Lives</b>
Land Improvements	15 - 30 years
Buildings and Building Improvements	15 - 30 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

**K. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**L. 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 the District will compensate the employees for the benefits through paid time off or some other means. The 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 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 District's termination policy. The District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**O. Fund Balance Reserves**

The 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 reserves have been established for property taxes, advances, 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.

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**P. Interfund Transactions**

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

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

**Q. 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.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

**3. BUDGETARY BASIS OF ACCOUNTING**

While the 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 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**3. BUDGETARY BASIS OF ACCOUNTING – (Continued)**

<b>Net Change in Fund Balance Major Governmental Fund</b>	
GAAP Basis	\$77,736
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received In Cash FY 2006	369,280
Accrued FY 2006, Not Yet Received in Cash	(469,562)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(738,282)
Accrued FY 2006, Not Yet Paid in Cash	708,708
Advances Net	(29,372)
Encumbrances Outstanding at Year End (Budget Basis)	(23,083)
Budget Basis	(\$104,575)

**4. DEPOSITS AND INVESTMENTS**

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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.

Interim monies held by the School District 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;

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**4. DEPOSITS AND INVESTMENTS – (Continued)**

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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated either of the two highest rated classifications by at least two nationally recognized rating agencies.

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.

At year end, the District had \$350 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,957,682 of the District's bank balance of \$2,157,682 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes for 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2006 were levied after April 1, 2005, on the assessed values as of December 31, 2004, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes for 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This amount will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. 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 District receives property taxes from Hancock County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2006 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2006, was \$83,053 in the General Fund, \$12,775 in the Debt Service Fund, and \$9,896 in the Capital Projects Fund. The amount available as an advance at June 30, 2005, was \$95,236 in the General Fund, \$19,153 in the Debt Service Fund, and \$14,208 in the Capital Projects Fund.



**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**5. PROPERTY TAXES – (Continued)**

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<b>2005 Second- Half Collections</b>		<b>2006 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$53,557,680	67%	\$54,067,350	72%
Industrial/Commercial	6,909,580	9%	6,924,330	9%
Public Utility	4,283,410	5%	3,673,330	5%
Tangible Personal	15,131,027	19%	10,930,151	14%
Total Assessed Value	<u>\$79,881,697</u>	<u>100%</u>	<u>\$75,595,161</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$35.26		\$35.14	

**6. INCOME TAX**

The District levies voted tax of 1 1/2 percent for general operations on the income of residents and of estates. The 1 percent tax was effective on January 1, 1984, and is a continuing tax and the additional ½ percent tax was effective on January 1, 2005, and is for a 5 year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**7. RECEIVABLES**

Receivables at June 30, 2006, consisted of property taxes, income taxes, intergovernmental, accounts (rent and student fees), and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
Governmental Activities	
Food Service	\$11,868
Title I	5,412
Total Intergovernmental Receivables	<u>\$17,280</u>

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/06</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$145,248			\$145,248
Total Nondepreciable Capital Assets	<u>145,248</u>			<u>145,248</u>
Depreciable Capital Assets				
Land Improvements	336,727	\$6,465		343,192
Buildings and Building Improvements	4,705,667	15,850		4,721,517
Furniture, Fixtures, and Equipment	1,429,538	49,638	\$44,227	1,434,949
Vehicles	669,816		68,377	601,439
Total Depreciable Capital Assets	<u>7,141,748</u>	<u>71,953</u>	<u>112,604</u>	<u>7,101,097</u>
Less Accumulated Depreciation				
Land Improvements	106,734	18,105		124,839
Buildings and Building Improvements	1,179,455	129,787		1,309,242
Furniture, Fixtures, and Equipment	986,705	73,426	26,429	1,033,702
Vehicles	436,151	40,893	68,377	408,667
Total Accumulated Depreciation	<u>2,709,045</u>	<u>262,211</u>	<u>94,806</u>	<u>2,876,450</u>
Depreciable Capital Assets, Net	<u>4,432,703</u>	<u>(190,258)</u>	<u>17,798</u>	<u>4,224,647</u>
Governmental Activities Capital Assets, Net	<u>\$4,577,951</u>	<u>(\$190,258)</u>	<u>\$17,798</u>	<u>\$4,369,895</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$102,419
Special	7,674
Vocational	5,104
Support Services:	
Pupils	323
Instructional Staff	3,530
Administration	7,828
Fiscal	1,706
Operation of Maintenance of Plant	65,465
Pupil Transportation	35,988
Operations of Non-Instruction	8,604
Extracurricular Activities	23,570
Total Depreciation Expense	<u>\$262,211</u>

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the District contracted for the following insurance coverage:

**Coverage provided by The Ohio School Plan is as follows:**

Buildings and Contents (\$2,500 deductible)	\$22,269,315
Crime (\$1,000 deductible)	25,000
Audio Visual Equipment (\$1,000 deductible)	51,300
Electronic Equipment (\$1,000 deductible)	190,600
Miscellaneous Equipment (\$1,000 deductible)	19,260
Electronic Media (\$1,000 deductible)	19,060
Automobile Liability	2,000,000
Automobile Medical Payments	5,000
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
Errors and Omissions Aggregate (Per Occurrence \$1,000,000)	2,000,000
Excess Liability	2,000,000

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

For fiscal year 2006, the District participated in the Ohio School Plan (the Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan 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 District participates in the Hancock County Schools Health Benefit Fund (the Fund), a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Mental Retardation/Developmental Disabilities. The District pays monthly premiums to the Fund for employee medical and dental insurance benefits. The Fund is responsible for the management and operations of the program. Upon withdrawal from the Fund, a participant is responsible for the payment of all Fund liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2006, the District participated in the Sheakley Workers' Compensation Group Rating Program, an insurance purchasing pool. The program is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the program.

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at [ohsers.org](http://ohsers.org).

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$87,049, \$84,898, and \$75,124, respectively; 75 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

**B. State Teachers Retirement System of Ohio**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS – (Continued)**

A DB or Combined Plan 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 DC Plan 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, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$402,799, \$395,529, and \$440,617, respectively; 82 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$4,690 made by the School District and \$4,467 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2006, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**11. POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$32,545 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS – (Continued)**

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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$39,020.

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 the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

**12. OTHER EMPLOYEE BENEFITS**

**A. COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty five days of vacation per year, 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-four days for all employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of fifty-six days.

**B. Health Care Benefits**

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

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**13. LONG-TERM OBLIGATIONS**

Changes in the District's long-term obligations during fiscal year 2006 were as follows:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/06</u>	<u>Due Within One Year</u>
Loan Payable	\$58,484		\$38,532	\$19,952	\$19,952
FY 1998 School Improvement Bonds	2,460,000		135,000	2,325,000	140,000
Compensated Absences	426,803	\$387,915	426,803	387,915	14,712
Total	<u>\$2,945,287</u>	<u>\$387,915</u>	<u>\$600,335</u>	<u>\$2,732,867</u>	<u>\$174,664</u>

Loan Payable – On August 8, 2001, the District obtained a loan, in the amount of \$180,000, for various capital improvements. The loan has an interest rate of 4.65 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 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:

<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 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 Date (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 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.

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**13. LONG-TERM OBLIGATIONS – (Continued)**

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2006, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$159,952	\$125,416	\$285,368
2008	145,000	118,216	263,216
2009	155,000	109,503	264,503
2010	165,000	98,622	263,622
2011	175,000	87,063	262,063
2012-2016	985,000	277,331	1,262,331
2017-2019	560,000	42,263	602,263
Total	<u>\$2,344,952</u>	<u>\$858,414</u>	<u>\$3,203,366</u>

**14. JOINTLY GOVERNED ORGANIZATIONS**

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

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2006, the District paid \$24,530 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 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 from the Findlay City School District. The Treasurers from the Hancock and Putnam County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, Michael Barnhart, who serves as Treasurer, 227 South West Street, Findlay, Ohio 45840-3377.



**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

**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.

**15. INSURANCE POOLS**

**A. Ohio School Plan**

The District participates in the Ohio School Plan (the 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.

**MCCOMB LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**15. INSURANCE POOLS – (Continued)**

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

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

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

**C. Sheakley Uniservice, Inc.**

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

**16. RELATED ORGANIZATION**

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

**17. SET ASIDE CALCULATIONS**

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

**MCCOMB LOCAL SCHOOL DISTRICT  
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**Notes to the Basic Financial Statements  
June 30, 2006  
(Continued)**

**17. SET ASIDE CALCULATIONS – (Continued)**

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2006.

	<b>Textbooks</b>	<b>Capital Improvements</b>
Balance June 30, 2005	(\$292,802)	
Current Year Set Aside Requirement	112,088	\$112,088
Current Year Offset		(112,088)
Qualifying Expenditures	(80,572)	
Amount Carried Forward to Fiscal Year 2007	(\$261,286)	

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

**18. INTERFUND TRANSFERS**

During the year ended June 30, 2006, the District transferred \$40,000 from the General Fund to the Severance Payment Non-major Governmental Fund.

At June 30, 2006, the General fund had an advance to other funds and the Food Service Non-major Governmental Fund had an advance from other funds, in the amount of \$88,000.

**19. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

**B. Litigation**

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

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# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of McComb Local School District, Hancock County (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated April 25, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated April 25, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the finance committee, management, and the Board of Education and is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 25, 2007



**Mary Taylor, CPA**  
Auditor of State

**MCCOMB LOCAL SCHOOL DISTRICT**  
**HANCOCK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**MAY 22, 2007**