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PERRY
&
Associates

Certified Public Accountants, A.C.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY
Regular Audit
For the Year Ended June 30, 2013**

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Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support
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Dave Yost • Auditor of State

Board of Education
McComb Local School District
328 South Todd Street
PO Box 877
McComb, Ohio 45858

We have reviewed the *Independent Auditor's Report* of the McComb Local School District, Hancock County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The McComb Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

May 18, 2015

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**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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INDEPENDENT AUDITOR'S REPORT

March 13, 2015

McComb Local School District
Hancock County
328 South Todd Street
PO Box 877
McComb, Ohio 45858

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **McComb Local School District**, Hancock County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McComb Local School District, Hancock County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Perry and Associates

Certified Public Accountants, A.C.
Marietta, Ohio

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013. 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 2013 are as follows:

In total, net position increased \$215,791.

General revenues accounted for \$7,335,713, or 87 percent of all revenues. Program specific revenues in the form of charges for services and operating and capital grants and contributions accounted for \$1,134,981, or 13 percent of total revenues of \$8,470,694.

The District's major fund is the General Fund. The General Fund had \$7,230,853 in revenues and other financing sources and \$6,991,030, in expenditures and other financing uses. The General Fund's balance increased \$239,823 from the prior fiscal year.

Using the Basic Financial Statements

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

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Government as a whole.

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

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

Basis of Accounting

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR JUNE ENDED 30, 2013
UNAUDITED
(Continued)**

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

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR JUNE ENDED 30, 2013
UNAUDITED
(Continued)**

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

Table 1 provides a summary of the District's net position for fiscal year 2013 compared to fiscal year 2012.

**Table 1
Net Position
Governmental Activities**

	2013	2012
<u>Assets:</u>		
Current Assets	\$2,959,794	\$2,744,003
Total Assets	2,959,794	2,744,003
<u>Net Position :</u>		
Restricted for Debt Service	164,932	150,237
Restricted for Capital Outlay	266,551	298,229
Restricted for Other Purposes	66,579	254,832
Unrestricted	2,461,732	2,040,705
Total	\$2,959,794	\$2,744,003

As mentioned previously, net position of governmental activities increased \$215,791 or more than 8% during 2013. The primary reason attributing to the increase is that the District reduced their spending by more than the decrease in overall revenues.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR JUNE ENDED 30, 2013
UNAUDITED
(Continued)**

Table 2 reflects the changes in net position for fiscal year 2013 compared to fiscal year 2012.

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

	2013	2012
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$579,533	\$527,210
Operating Grants, Contributions and Interest	555,448	1,104,801
Total Program Revenues	1,134,981	1,632,011
General Revenues:		
Property Taxes	2,035,588	2,023,482
Income Taxes	1,112,803	1,097,250
Grants and Entitlements	4,088,685	3,817,609
Interest	8,201	18,685
Gifts and Donations	69,875	22,874
Miscellaneous	14,778	14,454
Proceeds from Sale of Capital Assets	40	
Refund of Expenditures	5,743	11,857
Total General Revenues	7,335,713	7,006,211
Total Revenues	8,470,694	8,638,222
Expenses:		
Instruction	5,241,092	4,966,913
Support Services:		
Pupils	169,367	323,461
Instructional Staff	96,550	220,669
Board of Education	11,375	14,426
Administration	559,643	586,190
Fiscal	243,684	243,916
Business		13
Operation and Maintenance of Plant	503,113	566,387
Pupil Transportation	369,841	417,954
Central		15,876
Non-Instructional	288,673	296,468
Extracurricular Activities	386,457	337,720
Capital Outlay	121,006	88,482
Principal	200,000	195,000
Interest and Fiscal Charges	64,102	66,694
Total Expenses	8,254,903	8,340,169
Increase/(Decrease) in Net Position	\$215,791	\$298,053

Program receipts account for 13 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR JUNE ENDED 30, 2013
UNAUDITED
(Continued)**

The major program disbursements for governmental activities are for instruction, which accounts for 57 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 8 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 6 percent. The remaining 29 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

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

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>
Instruction	\$5,241,092	\$4,548,167	\$4,966,913	\$3,814,634
Support Services:				
Pupils	169,367	169,367	323,461	323,461
Instructional Staff	96,550	96,550	220,669	220,669
Board of Education	11,375	11,375	14,426	14,426
Administration	559,643	559,643	586,190	586,190
Fiscal	243,684	243,684	243,916	243,916
Business			13	13
Operation and Maintenance of Plant	503,113	503,113	566,387	566,387
Pupil Transportation	369,841	347,325	417,954	399,671
Central			15,876	15,876
Non-Instructional	288,673	9,265	296,468	6,532
Extracurricular Activities	386,457	246,325	337,720	166,207
Capital Outlay	121,006	121,006	88,482	88,482
Principal	200,000	200,000	195,000	195,000
Interest and Fiscal Charges	64,102	64,102	66,694	66,694
Total Expenses	<u>\$8,254,903</u>	<u>\$7,119,922</u>	<u>\$8,340,169</u>	<u>\$6,708,158</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 86 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 86 percent. The remaining 14 percent is derived from tuition and fees, specific grants, and donations.

The District's Funds

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

Fund balance in the General fund increased \$239,823 largely due to increase in tax and intergovernmental revenue.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR JUNE ENDED 30, 2013
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2013, the District amended its General Fund budget as needed.

Final estimated resources were more than original estimated resources by \$206,317 due to expected increases in intergovernmental revenue and tax revenue.

Final expenditures and other financing uses were budgeted at \$7,181,024 while actual expenditures and other financing uses were \$6,937,069. The \$243,955 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Debt

At June 30, 2013, the District had \$1,090,000 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, 2013, the District's overall legal debt margin was \$6,763,429, with an un-voted debt margin of \$87,260.

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

Current Issues

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

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

Beginning with the 2012-13 school year, the District closed the building located in Hoytville, OH, which housed the 7th and 8th grade in FY 2012. Those grades were consolidated into the existing building in McComb, OH. The District is in the planning stages of disposing of the MS building.

Contacting the District's Financial Management

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
June 30, 2013**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u><u>2,959,794</u></u>
NET POSITION:	
Restricted for Debt Service	164,932
Restricted for Capital Outlay	266,551
Restricted for Other Purposes	66,579
Unrestricted	<u>2,461,732</u>
Total Net Position	\$ <u><u>2,959,794</u></u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Cash</u> <u>Disbursements</u>		<u>Program Revenues</u> <u>Charges for</u> <u>Services and</u> <u>Sales</u>		<u>Operating</u> <u>Grants and</u> <u>Contributions</u>		<u>Net(Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u> <u>Governmental</u> <u>Activities</u>
Governmental Activities:							
Instruction:							
Regular	\$ 3,367,619	\$	304,451	\$	17,845	\$	(3,045,323)
Special	1,101,056		21,578		278,857		(800,621)
Vocational	199,774				70,194		(129,580)
Other	572,643						(572,643)
Support Services:							
Pupils	169,367						(169,367)
Instructional Staff	96,550						(96,550)
Board of Education	11,375						(11,375)
Administration	559,643						(559,643)
Fiscal	243,684						(243,684)
Operation and Maintenance of Plant	503,113						(503,113)
Pupil Transportation	369,841				22,516		(347,325)
Operation of Non-Instructional Services	288,673		113,372		166,036		(9,265)
Extracurricular Activities	386,457		140,132				(246,325)
Capital Outlay	121,006						(121,006)
Debt Service:							
Principal	200,000						(200,000)
Interest and Fiscal Charges	64,102						(64,102)
Totals	\$ 8,254,903	\$	579,533	\$	555,448		(7,119,922)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes							1,649,524
Property Taxes, Levied for Capital Outlay							163,826
Property Taxes, Levied for Debt Service							222,238
Income Taxes							1,112,803
Grants and Entitlements not Restricted to Specific Programs							4,088,685
Gifts and Donations							69,875
Investment Earnings							8,201
Miscellaneous							14,778
Proceeds from Sale of Capital Assets							40
Refund of Prior Year Expenditures							5,743
Total General Revenues							7,335,713
Change in Net Position							215,791
Net Position Beginning of Year							2,744,003
Net Position End of Year							\$ 2,959,794

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ <u>2,465,822</u>	\$ <u>493,972</u>	\$ <u>2,959,794</u>
Fund Balances			
Restricted		498,062	498,062
Committed	192,952		192,952
Assigned	32,280		32,280
Unassigned (Deficit)	<u>2,240,590</u>	<u>(4,090)</u>	<u>2,236,500</u>
Total Fund Balances	\$ <u>2,465,822</u>	\$ <u>493,972</u>	\$ <u>2,959,794</u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CASH RECEIPTS:			
Property and Other Local Taxes	\$ 1,649,524	\$ 386,064	\$ 2,035,588
Income Tax	1,112,803		1,112,803
Intergovernmental	4,076,346	567,787	4,644,133
Interest	8,195	6	8,201
Tuition and Fees	326,029		326,029
Extracurricular Activities	19,784	120,348	140,132
Gifts and Donations	17,611	52,264	69,875
Customer Sales and Services		113,372	113,372
Miscellaneous	14,778		14,778
Total Revenues	<u>7,225,070</u>	<u>1,239,841</u>	<u>8,464,911</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	3,284,274	83,345	3,367,619
Special	802,875	298,181	1,101,056
Vocational	193,599	6,175	199,774
Other	572,643		572,643
Support Services:			
Pupils	169,367		169,367
Instructional Staff	95,612	938	96,550
Board of Education	11,375		11,375
Administration	559,643		559,643
Fiscal	234,723	8,961	243,684
Operation and Maintenance of Plant	481,866	21,247	503,113
Pupil Transportation	367,566	2,275	369,841
Operation of Non-Instructional Services		288,673	288,673
Extracurricular Activities	192,487	193,970	386,457
Capital Outlay		121,006	121,006
Debt Service:			
Principal		200,000	200,000
Interest		64,102	64,102
Total Expenditures	<u>6,966,030</u>	<u>1,288,873</u>	<u>8,254,903</u>
Excess of Revenues Over (Under) Expenditures	<u>259,040</u>	<u>(49,032)</u>	<u>210,008</u>
OTHER FINANCING SOURCES AND USES:			
Transfers In		25,000	25,000
Proceeds from Sale of Capital Assets	40		40
Refund of Prior Year Expenditures	5,743		5,743
Transfers Out	(25,000)		(25,000)
Total Other Financing Sources and Uses	<u>(19,217)</u>	<u>25,000</u>	<u>5,783</u>
Net Change in Fund Balances	239,823	(24,032)	215,791
Fund Balance (Deficit) at Beginning of Year	2,225,999	518,004	2,744,003
Fund Balance (Deficit) at End of Year	<u>\$ 2,465,822</u>	<u>\$ 493,972</u>	<u>\$ 2,959,794</u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 1,603,273	\$ 1,649,524	\$ 1,649,524	\$ -
Income Tax	1,097,250	1,112,803	1,112,803	-
Intergovernmental	3,977,362	4,076,346	4,076,346	-
Interest	18,656	8,192	8,195	3
Tuition and Fees	265,631	326,029	326,029	-
Extracurricular Activities	19,784	19,784	19,784	-
Gifts and Donations	17,611	17,611	17,611	-
Miscellaneous	11,461	14,778	14,778	-
Total Revenues	<u>7,011,028</u>	<u>7,225,067</u>	<u>7,225,070</u>	<u>3</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,114,879	3,290,018	3,284,274	5,744
Special	902,979	869,929	825,040	44,889
Vocational	204,273	209,023	193,599	15,424
Other	493,625	590,625	572,643	17,982
Support Services:				
Pupils	177,650	173,945	169,367	4,578
Instructional Staff	189,208	99,569	95,612	3,957
Board of Education	17,090	17,090	11,375	5,715
Administration	578,111	566,816	559,643	7,173
Fiscal	263,760	245,760	234,723	11,037
Business	400	400	-	400
Operation and Maintenance of Plant	588,148	504,148	481,866	22,282
Central	408,626	382,126	364,016	18,110
Pupil Transportation	16,500			
Extracurricular Activities	<u>206,575</u>	<u>206,575</u>	<u>192,487</u>	<u>14,088</u>
Total Expenditures	<u>7,161,824</u>	<u>7,156,024</u>	<u>6,984,645</u>	<u>171,379</u>
Excess of Revenues Over (Under) Expenditures	<u>(150,796)</u>	<u>69,043</u>	<u>240,425</u>	<u>171,382</u>
Other Financing Sources and Uses:				
Transfers In	1,648			-
Proceeds from Sale of Capital Assets		40	40	-
Refund of Prior Year Expenditures	11,857	5,743	5,743	-
Transfers Out	<u>(50,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>(36,495)</u>	<u>(19,217)</u>	<u>(19,217)</u>	<u>-</u>
Net Change in Fund Balances	(187,291)	49,826	221,208	171,382
Fund Balance (Deficit) at Beginning of Year	2,215,300	2,215,300	2,215,300	-
Prior Year Encumbrances Appropriated	10,698	10,698	10,698	-
Fund Balance (Deficit) at End of Year	<u>\$ 2,038,707</u>	<u>\$ 2,275,824</u>	<u>\$ 2,447,206</u>	<u>\$ 171,382</u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
June 30, 2013**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>29,020</u>	\$ <u>54,389</u>
Liabilities:		
Undistributed Assets		2,057
Due to Students		<u>52,332</u>
Total Liabilities	<u>-</u>	<u>54,389</u>
Net Position:		
Held in Trust for Scholarships	<u>29,020</u>	-
Total Net Position	\$ <u>29,020</u>	\$ <u>-</u>

See Accompanying Notes to the Basic Financial Statements

MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and Donations	\$ 500
Interest	99
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>500</u>
Change in Net Position	99
Net Position Beginning of Year	<u>28,921</u>
Net Position End of Year	<u>\$ 29,020</u>

See Accompanying Notes to the Basic Financial Statements

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District serves an area of approximately one hundred two square miles. It is located in portions of Hancock, Wood, and Putnam Counties, including the villages of McComb and Hoytville, and portions of surrounding townships. It is staffed by 28 classified employees, 58 certified teaching personnel and administrative employees who provide services to 780 students and other community members. The District currently operates two instructional/support facility.

A. Primary Government

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

B. Component Units

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

C. Jointly Governed Organizations and Purchasing Pools

The District participates in three jointly governed organizations, a related organization, and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, the Northwestern Ohio Educational Research Council, Inc., Hancock County Schools Health Benefit Fund and Trust, Sheakley Uniservice, Inc., and the McComb Community Library. Information about these organizations is presented in Notes 4, 5, and 6 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds:

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

2. Fiduciary Funds

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

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

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 control selected by the Board is at the fund level for all funds. Budgetary allocations at the function and object level for all funds are made by the District Treasurer.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the 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 final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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 appropriations 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.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2013, investments consisted of STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2013.

The District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2013, was \$8,195, which includes \$1,033 assigned from other District funds.

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

F. Restricted Assets

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-term Obligations

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

M. Net Position

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

N. Fund Balance

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

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

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

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

O. Interfund Transactions

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

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

3. COMPLIANCE

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

4. CHANGE IN ACCOUNTING PRINCIPLE

For 2013, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the District's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

5. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The General fund encumbrances outstanding at year end (budgetary basis) amounted to \$18,615.

6. DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Investments

As of June 30, 2013, the District's only investment was \$255,810 in STAR Ohio.

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

7. 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.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

7. PROPERTY TAXES (Continued)

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 2013 represent the collection of calendar year 2012 taxes. Real property taxes for 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes for 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Hancock, Wood, and Putnam Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$78,446,140	90%	\$78,690,360	90%
Industrial/Commercial	5,965,200	7%	6,185,790	7%
Public Utility	2,458,450	3%	2,384,170	3%
Total Assessed Value	<u>\$86,869,790</u>	<u>100%</u>	<u>\$87,260,320</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$34.70		\$34.68	

8. INCOME TAX

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(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 2013, the District contracted for the following insurance coverage:

Coverage provided by Phelan Insurance Agency is as follows:

Buildings and Contents (\$1,000 deductible)	\$33,624,655
Crime – Employee Dishonesty & Forgery (\$500 deductible)	50,000
Audio Visual Equipment (\$500 deductible)	51,300
Data Processing Equipment (\$500 deductible)	239,660
Contractor’s Equipment (\$500 deductible)	19,260
Musical Instruments (\$500 deductible)	133,800
** Also See School Extension Endorsements	
Umbrella - Each Occurrence (covers liability, auto, and property)	3,000,000
Umbrella Annual Aggregate (covers liability, auto, and property)	3,000,000
Automobile Liability - replacement cost buses 10 years old or less	1,000,000
Automobile Medical Payments	5,000
Uninsured Motorist/Underinsured Motorist	1,000,000
Hired & Non-Owned Liability	1,000,000
General School District Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Employees Benefits Liability	
Per Occurrence	1,000,000
Aggregate (\$1,000 deductible – Claims Made)	3,000,000
Employers Liability	1,000,000
Sexual Misconduct & Molestation Liability	1,000,000
Errors and Omissions Liability (\$2,500 deductible)	1,000,000

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

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

For fiscal year 2013, 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
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$111,068, \$112,493, and \$116,744, respectively; 48 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System

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

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

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority of member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$428,920, \$435,771, and \$453,866, respectively; 85 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$5,982 made by the District and \$4,273 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2013, three of the Board members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is 0.74 percent.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

The District's contributions for the years ended June 30, 2013, 2012, and 2011 were \$6,274, \$3,626, and \$3,527, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is 0.16 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$1,357, 2,659 and 6,636, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Report.

B. State Teachers Retirement System

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$32,378, \$31,126, and \$32,419, respectively; 85 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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, after their first year with the District. Accumulated unused vacation time is not paid to classified employees and but may be paid to administrators upon termination of employment. Teachers and administrators, who are not on a twelve-month contract, do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty-nine days for all employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of fifty-seven and ¼ 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.

13. LONG-TERM OBLIGATIONS

Changes in the District’s long-term obligations during fiscal year 2013 were as follows:

	Balance at 6/30/12	Additions	Deductions	Balance at 6/30/13	Due Within One Year
FY 2009 Refunding Bond Issue	\$1,290,000		\$200,000	\$1,090,000	\$210,000

FY 2009 School Improvement Refunding Bonds

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

At June 30, 2013, all of the refunded bonds were still outstanding.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2013, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$210,000	\$49,250	\$259,250
2015	220,000	38,500	258,500
2016	190,000	28,250	218,250
2017	200,000	18,500	218,500
2018	210,000	8,250	218,250
2019	60,000	1,500	61,500
Total	<u>\$1,090,000</u>	<u>\$144,250</u>	<u>\$1,234,250</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 2013, the District paid \$25,507 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 Center provides vocational instruction to students. The Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative from the Findlay City School District. The Treasurers from the Hancock and Putnam County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, 1219 West Main Cross, Suite 101, Findlay, Ohio 45840-3377.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(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.

15. INSURANCE POOLS

A. Hancock County Schools Health Benefit Fund

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

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

B. Sheakley Uniservice, Inc.

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

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.

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

17. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the change in the year-end set-aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2012	-
Current Year Set-aside Requirement	\$124,148
Current Year Qualifying Expenditures	<u>(237,527)</u>
Total Restricted Assets	<u>(\$113,379)</u>
Amount Carry Forward to Fiscal Year 2014	<u>-</u>

18. INTERFUND TRANSACTIONS

During the year ended June 30, 2013, the District transferred \$25,000 from the General Fund to a Non-major Governmental Fund.

19. CONTINGENCIES

A. Grants and Attendance Data Review

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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)**

20. FUND BALANCE

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

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

Fund Balance	General	Other Governmental	Total Governmental Funds
Restricted for:			
Regular Instruction		\$29,250	\$29,250
Special Instruction		11,088	11,088
Athletics		8,616	8,616
Food Service Operations		17,625	17,625
Debt Retirement		164,932	164,932
Permanent Improvement		266,551	266,551
Total Restricted		498,062	498,062
Committed for:			
Termination Benefits	\$192,952		192,952
Total Committed	192,952		192,952
Assigned for:			
Educational Activities	13,665		13,665
Unpaid Obligations (encumbrances)	18,615		18,615
Total Assigned	32,280		32,280
Unassigned (Deficit)	2,240,590	(4,090)	2,236,500
Total Fund Balance	\$2,465,822	\$493,972	\$2,959,794

20. INTERFUND RECEIVABLE/PAYABLE

Unpaid interfund cash advances at June 30, 2013, were as follows:

Interfund Payable	Interfund Receivable
Special Revenue - Food Service Fund <u>\$68,000</u>	General Fund <u>\$68,000</u>



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave
Parkersburg, WV 26101
304.422.2203

121 E Main St
St. Clairsville, OH 43950
740.695.1569

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

March 13, 2015

McComb Local School District
Hancock County
328 South Todd Street
PO Box 877
McComb, Ohio 45858

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **McComb Local School District**, Hancock County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

... "bringing more to the table"

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support
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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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2013-001.

We also noted certain matters not requiring inclusion in this report that we have reported to management in a separate letter dated March 13, 2015.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

FINDING NUMBER 2013-001

Noncompliance

Ohio Revised Code, § 117.38, provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38. Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District. The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

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

**MCCOMB LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Cash-Basis Financial Statements	No	Repeated as Finding 2013-001
2012-002	Financial Reporting	No	Partially Corrected, Moved to Management Letter

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PARKERSBURG
1035 Murdoch Avenue
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(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

March 13, 2015

McComb Local School District
Hancock County
328 South Todd Street
PO Box 877
McComb, Ohio 45858

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on August 12, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

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Dave Yost • Auditor of State

MCCOMB LOCAL SCHOOL DISTRICT

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 28, 2015**