



Dave Yost • Auditor of State

VILLAGE OF MCCOMB
HANCOCK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2012	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2011	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings	21

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of McComb
Hancock County
210 East Main Street
P.O. Box 340
McComb, Ohio 45858-0340

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of McComb, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 Village'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 Village'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 opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of McComb, Hancock County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1F to the financial statements, during 2011 the Village of McComb adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, on our consideration of the Village'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 Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 20, 2013

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$52,825				\$52,825
Municipal Income Tax	693,746				693,746
Intergovernmental	92,747	\$81,998		\$8,500	183,245
Special Assessments		37,904		89,416	127,320
Charges for Services	21,735				21,735
Fines, Licenses and Permits	9,160				9,160
Earnings on Investments	4,860	1,745			6,605
Miscellaneous	27,126	623			27,749
<i>Total Cash Receipts</i>	<u>902,199</u>	<u>122,270</u>		<u>97,916</u>	<u>1,122,385</u>
Cash Disbursements					
Current:					
Security of Persons and Property	232,568	35,041			267,609
Public Health Services	41,342				41,342
Leisure Time Activities	83,957				83,957
Basic Utility Services	1,620				1,620
Transportation	270,581	22,717		253	293,551
General Government	264,085				264,085
Capital Outlay	27,721	124,679		214,868	367,268
Debt Service:					
Principal Retirement	42,793		\$15,478		58,271
Interest and Fiscal Charges	22,339		1,549		23,888
<i>Total Cash Disbursements</i>	<u>987,006</u>	<u>182,437</u>	<u>17,027</u>	<u>215,121</u>	<u>1,401,591</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(84,807)</u>	<u>(60,167)</u>	<u>(17,027)</u>	<u>(117,205)</u>	<u>(279,206)</u>
Other Financing Receipts (Disbursements)					
Transfers In	7,179		20,457		27,636
Transfers Out	(20,457)		(7,179)		(27,636)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(13,278)</u>		<u>13,278</u>		
<i>Net Change in Fund Cash Balances</i>	<u>(98,085)</u>	<u>(60,167)</u>	<u>(3,749)</u>	<u>(117,205)</u>	<u>(279,206)</u>
<i>Fund Cash Balances, January 1</i>	<u>683,862</u>	<u>597,244</u>	<u>7,179</u>	<u>400,068</u>	<u>1,688,353</u>
Fund Cash Balances, December 31					
Restricted		537,077	3,430	282,863	823,370
Committed	920				920
Unassigned	584,857				584,857
<i>Fund Cash Balances, December 31</i>	<u>\$585,777</u>	<u>\$537,077</u>	<u>\$3,430</u>	<u>\$282,863</u>	<u>\$1,409,147</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,072,635
Miscellaneous	9,393
	1,082,028
Operating Cash Disbursements	
Personal Services	115,949
Employee Fringe Benefits	57,526
Contractual Services	541,813
Supplies and Materials	62,796
Other	4,699
	782,783
<i>Total Operating Cash Disbursements</i>	<i>782,783</i>
<i>Operating Income</i>	<i>299,245</i>
Non-Operating Disbursements	
Capital Outlay	(101,077)
Principal Retirement	(85,970)
Interest and Other Fiscal Charges	(20,042)
	(207,089)
<i>Total Non-Operating Disbursements</i>	<i>(207,089)</i>
<i>Net Change in Fund Cash Balances</i>	<i>92,156</i>
<i>Fund Cash Balances, January 1</i>	<i>1,493,181</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,585,337</i>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$49,255				\$49,255
Municipal Income Tax	839,777				839,777
Intergovernmental	76,277	\$76,613			152,890
Special Assessments		31,677		\$84,466	116,143
Charges for Services	23,271				23,271
Fines, Licenses and Permits	8,842				8,842
Earnings on Investments	11,662	3,563			15,225
Miscellaneous	25,641				25,641
<i>Total Cash Receipts</i>	<u>1,034,725</u>	<u>111,853</u>		<u>84,466</u>	<u>1,231,044</u>
Cash Disbursements					
Current:					
Security of Persons and Property	233,043	33,913			266,956
Public Health Services	51,116				51,116
Leisure Time Activities	91,023				91,023
Community Environment	7,819				7,819
Basic Utility Services	1,710				1,710
Transportation	249,774	74,160			323,934
General Government	341,452				341,452
Capital Outlay	40,993	15,247		36,189	92,429
Debt Service:					
Principal Retirement	40,889		\$17,236		58,125
Interest and Fiscal Charges	24,242		3,222		27,464
<i>Total Cash Disbursements</i>	<u>1,082,061</u>	<u>123,320</u>	<u>20,458</u>	<u>36,189</u>	<u>1,262,028</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(47,336)</u>	<u>(11,467)</u>	<u>(20,458)</u>	<u>48,277</u>	<u>(30,984)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds				24,253	24,253
Transfers In			20,457		20,457
Transfers Out	(20,457)				(20,457)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(20,457)</u>		<u>20,457</u>	<u>24,253</u>	<u>24,253</u>
<i>Net Change in Fund Cash Balances</i>	(67,793)	(11,467)	(1)	72,530	(6,731)
<i>Fund Cash Balances, January 1</i>	<u>751,655</u>	<u>608,711</u>	<u>7,180</u>	<u>327,538</u>	<u>1,695,084</u>
Fund Cash Balances, December 31					
Restricted		597,244	7,179	400,068	1,004,491
Assigned	8,431				8,431
Unassigned	675,431				675,431
<i>Fund Cash Balances, December 31</i>	<u>\$683,862</u>	<u>\$597,244</u>	<u>\$7,179</u>	<u>\$400,068</u>	<u>\$1,688,353</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,172,537
Miscellaneous	10,350
	1,182,887
<i>Total Operating Cash Receipts</i>	
Operating Cash Disbursements	
Personal Services	113,508
Employee Fringe Benefits	52,682
Contractual Services	707,575
Supplies and Materials	74,029
Other	3,576
	951,370
<i>Total Operating Cash Disbursements</i>	
<i>Operating Income</i>	231,517
Non-Operating Receipts (Disbursements)	
Sale of Capital Assets	46,000
Capital Outlay	(77,549)
Principal Retirement	(168,077)
Interest and Other Fiscal Charges	(43,665)
	(243,291)
<i>Total Non-Operating Receipts (Disbursements)</i>	
<i>Net Change in Fund Cash Balances</i>	(11,774)
<i>Fund Cash Balances, January 1</i>	1,504,955
<i>Fund Cash Balances, December 31</i>	\$1,493,181

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of McComb, Hancock County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer and gas utilities, park operations, and police services.

The Village participates in the Public Entities Pool of Ohio. Note 9 to the financial statements provides additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificate of deposits at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing the State highways within the Village.

Street Lighting Assessment Fund - This fund receives special assessments to maintain the Village street lighting.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

General Obligation Debt Fund - This fund receives property tax monies to pay the debt on the waste water treatment plant bond.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Street Maintenance Assessment Fund - This fund receives special assessments to maintain designated streets.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Gas Fund - This fund receives charges for services from residents to cover the cost of providing natural gas services.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

In 2011, the Village implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. GASB Statement No. 54 also clarifies the definition of governmental fund types. The implementation on GASB Statement No. 54 did not have an effect on the previously reported fund balances.

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *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.

3. Committed

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are 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 could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2012	2011
Demand deposits	\$2,535,386	\$2,723,584
Certificates of deposit	459,048	457,900
Cash on Hand	50	50
Total deposits	\$2,994,484	\$3,181,534

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

by securities specifically pledged by the financial institution to the Village.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$770,206	\$909,378	\$139,172
Special Revenue	121,000	122,270	1,270
Debt Service	20,457	20,457	
Capital Projects	92,500	97,916	5,416
Enterprise	1,190,000	1,082,028	(107,972)
Total	\$2,194,163	\$2,232,049	\$37,886

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,416,382	\$1,008,383	\$407,999
Special Revenue	699,069	182,437	516,632
Debt Service	27,635	24,206	3,429
Capital Projects	492,567	215,121	277,446
Enterprise	2,676,083	1,096,649	1,579,434
Total	\$5,311,736	\$2,526,796	\$2,784,940

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$814,558	\$1,034,725	\$220,167
Special Revenue	101,000	111,853	10,853
Debt Service	20,457	20,457	
Capital Projects	111,253	108,719	(2,534)
Enterprise	1,214,000	1,228,887	14,887
Total	\$2,261,268	\$2,504,641	\$243,373

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,566,213	\$1,110,948	\$455,265
Special Revenue	709,771	123,320	586,451
Debt Service	27,636	20,458	7,178
Capital Projects	438,791	36,189	402,602
Enterprise	2,718,957	1,276,731	1,442,226
Total	\$5,461,368	\$2,567,646	\$2,893,722

Contrary to Ohio law, the Village approved transfers of \$152,712 out of Street, Construction, Maintenance and Repair and \$207,288 out of Special Assessment – Street Special Revenue Funds to a Capital Project Fund in the year ended December 31, 2012. In addition, contrary to Ohio law, the Village improperly credited \$12,994 in Gasoline Tax, State and Local Highway, and Motor Vehicle Registration monies to the General Fund.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Local Income Tax

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2012 was as follows:

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

	Principal	Interest Rate
General Obligation Notes	\$435,339	4.5% - variable
Ohio Public Works Commission Loans	98,889	0%
Ohio Water Development Authority Loans	1,103,801	0 - 8.31%
Total	\$1,638,029	

The Ohio Water Development Authority (OWDA) loans relate to utility construction, improvement, and a CSO (sewer) separation projects. In 1987 the Village was approved for a loan of \$615,728 for waste water treatment plant improvements, this loan has a remaining balance of \$105,140 at year end. In 1999 the Village was approved for a loan of \$1,210,580 for a construction of a new drinking water treatment plant, this loan has a remaining balance of \$615,351 at year end. In 2005 the Village was approved for a loan of \$89,843 for sanitary sewer line improvement on East Perrin Avenue, this loan has a remaining balance of \$67,031 at year end. In 2009 the Village was approved for a loan of \$584,004 and has received to date \$412,026 to pay for the sewer separation project. This project has not been finalized yet, but at year end the balance owed was \$324,426. Three of the four loans are being repaid with revenues generated from user charges; the sanitary sewer line project loan is being repaid with funds transferred from the General Fund.

The Ohio Public Works Commission (OPWC) loans relate to the installation of waterlines, and improvements of streets and sewer lines in the Village. There are six separate loans issued in 1992, 1993, 1995, 2005, 2007 and 2008 in the amounts of \$68,573, \$69,613, \$34,604, \$61,062, \$14,400 and \$35,525 respectively, with outstanding balances at year-end of \$3,428, \$6,961, \$6,056, \$41,216, \$10,440 and \$30,788. These loans are being retired from debt service funds with monies transferred from the General Fund.

The General Obligation Notes were issued for the construction of a new Municipal swimming pool for the Village residents, and the purchase of land. The pool note was issued in November 2007 in the amount of \$520,000 and at year end has a remaining balance of \$391,473. The note for the land purchase was issued in 2010 in the amount of \$70,000 and at year end \$43,866 is outstanding. The notes are being retired from General Fund revenue.

Amortization of the above debt, including interest, is scheduled as follows:

	OWDA Loan	OPWC Loan	General Obligation Notes
Year ending December 31:			
2013	\$280,213	\$13,596	\$65,103
2014	158,000	10,168	65,103
2015	128,749	6,688	65,103
2016	128,749	5,824	49,312
2017	128,749	4,957	49,313
2018-2022	412,022	24,785	246,563
2023-2027	163,150	19,845	6,088
2028-2032	43,800	5,921	
2033-2037		5,920	
2038		1,185	
Total	\$1,443,432	\$98,889	\$546,585

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Capital Lease

The Village has entered into capitalized leases for a pick up truck. Principal payments in 2012 were \$8,364 in governmental funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2012.

Year	Governmental Activities	
	Principal	Interest
2013	\$7,131	\$1,233
2014	7,723	641
	<u>\$14,854</u>	<u>\$1,874</u>

8. Retirement Systems

The Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

9. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

\$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$15,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$17,449	\$15,969

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

10. Subsequent Events

In July 2013, the Village signed an agreement with Ohio Public Works Commission for a grant for \$162,950. The Village also signed an agreement with Ohio Water Development Agency for a loan for \$890,279. Both are for a new water tower. The construction will commence in 2013.



Dave Yost • Auditor of State

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

Village of McComb
Hancock County
210 East Main Street
P.O. Box 340
McComb, Ohio 45858-0340

To the Village Council:

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 Village of McComb, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, and wherein the Village adopted Governmental Accounting Standards Board Statement No. 54 in 2011.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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 Village'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. We consider

findings 2012-001 through 2012-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village'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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 and 2012-002.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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 Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 20, 2013

VILLAGE OF MCCOMB
HANCOCK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

Noncompliance Citation/Material Weakness

Ohio Revised Code §§ 5705.15-5705.16 authorizes, the taxing authority of any political subdivision, with the approval of the Court of Common Pleas, to transfer from one fund to another any public funds under its supervision, except the proceeds or balances of:

- loans,
- bond issues,
- special levies for the payment of loans or bond issues,
- the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose,
- proceeds or balances of any license fees imposed by law for a specified purpose.

In 2012, the Village transferred \$152,712 from the Street, Construction, Maintenance and Repair (SCM&R) Fund and \$207,288 from the Special Assessment Street Fund to a Capital Projects Fund for the Oliver Street Project. These funds receive excise tax and special assessments. The accompanying financial statements and the Village's accounting records have been adjusted to correct these errors.

We recommend the Fiscal Officer review the **Ohio Revised Code §§ 5705.05-5705.06 and 5705.14-5705.16** to determine proper transfers.

Officials' Response:

We will work to correct this and will review Ohio Revised Code noted.

FINDING NUMBER 2012-002

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.10(D) provides all revenue derived from a source other than the general property tax and which the law prescribes, shall be used for a particular purpose is to be paid into a special fund for such purpose.

Gasoline Tax, State and Local Highway and Motor Vehicle Registration monies totaling \$12,994 in 2012 were posted to the General Fund instead of the special revenue funds established for these types of revenue. The accompanying financial statements and the Village's accounting records have been adjusted to correct these errors.

We recommend the Fiscal Officer review the Village Handbook for proper posting of these revenues.

Officials' Response:

We will work to correct this.

FINDING NUMBER 2012-003

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following transactions required adjustments to the accompanying financial statements and where applicable, accounting records:

- In 2012 and 2011 intergovernmental revenue was posted as taxes in the General Fund in amounts of \$4426 and \$19,174, respectively
- Delinquent utility receipts were posted as miscellaneous revenue in the General Fund instead of charges for services in the Enterprise Fund in the amounts of \$2,207 in 2012 and \$4,314 in 2011
- In 2011, the Village sold their gas line to a neighboring village for \$46,000. This was posted to charges for services instead of sale of asset.
- In 2012 and 2011 expenditures for utility meters, waterline construction and tree trimming were incorrectly posted in the General Fund instead of in the Enterprise Fund and Special Revenue Fund resulting in adjustments in the Enterprise Fund in amounts of \$31,025 and \$37,175 and in the Special Revenue Fund in amounts of \$2,925 and \$4,825 respectively.
- Loan proceeds of \$24,253 were posted as intergovernmental revenue in the Capital Projects Fund in 2011.
- Expenses were incorrectly posted in the Enterprise Fund in the following manner:
 - Supplies and materials amounting to \$6,138 were posted to other expenses in 2012,
 - Capital outlay in the amount of \$59,969 was posted to contractual services in 2012, and
 - Capital outlay and contracting services were posted as supplies and material and claims in the amounts of \$31,795 in 2012 and \$699,343 in 2011

Adjusting entries ranging in amounts from \$1,249 to \$699,343 were posted to the financial statements to correct these and other errors.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Finance Committee, to identify and correct errors and omissions.

Officials' Response:

We will work to correct this and we have already corrected some of it.

VILLAGE OF MCCOMB
HANCOCK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Material weakness due to errors in financial reporting.	No	Not corrected and repeated as finding number 2012-003 in this report.

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF MCCOMB

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
DECEMBER 10, 2013**