



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of McComb
Hancock County
210 East Main Street
McComb, Ohio 45858-0340

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of McComb, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 such 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.

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

As described in Note 2 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2018 and 2017, and the respective changes in financial position or cash flows 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of McComb, Hancock County, Ohio as of December 31, 2018 and 2017, 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(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

November 4, 2019

VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$62,107			\$62,107
Municipal Income Tax	879,330			879,330
Intergovernmental	26,012	\$72,407	\$1,827	100,246
Special Assessments		46,970	113,046	160,016
Charges for Services	34,889			34,889
Fines, Licenses and Permits	14,018			14,018
Earnings on Investments	5,724	1,291		7,015
Miscellaneous	35,508	3,135		38,643
<i>Total Cash Receipts</i>	<u>1,057,588</u>	<u>123,803</u>	<u>114,873</u>	<u>1,296,264</u>
Cash Disbursements				
Current:				
Security of Persons and Property	284,895	1,158		286,053
Public Health Services	18,593			18,593
Leisure Time Activities	146,612			146,612
Community Environment		4,819		4,819
Basic Utility Services	36,135			36,135
Transportation	75,662	88,531		164,193
General Government	345,668	36,794	122,905	505,367
Capital Outlay			15,575	15,575
Debt Service:				
Principal Retirement	41,914		36,662	78,576
Interest and Fiscal Charges	5,976		15,345	21,321
<i>Total Cash Disbursements</i>	<u>955,455</u>	<u>131,302</u>	<u>190,487</u>	<u>1,277,244</u>
<i>Net Change in Fund Cash Balances</i>	102,133	(7,499)	(75,614)	19,020
<i>Fund Cash Balances, January 1</i>	<u>164,624</u>	<u>267,983</u>	<u>212,506</u>	<u>645,113</u>
Fund Cash Balances, December 31				
Restricted		260,484	136,892	397,376
Assigned	79,594			79,594
Unassigned	187,163			187,163
<i>Fund Cash Balances, December 31</i>	<u>\$266,757</u>	<u>\$260,484</u>	<u>\$136,892</u>	<u>\$664,133</u>

See accompanying notes to the basic financial statements

VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$443,787		\$443,787
Miscellaneous	89		89
<i>Total Operating Cash Receipts</i>	443,876		443,876
Operating Cash Disbursements			
Personal Services	14,865		14,865
Employee Fringe Benefits	9,246		9,246
Contractual Services	614,470		614,470
Supplies and Materials	13,375		13,375
Other	13,461		13,461
<i>Total Operating Cash Disbursements</i>	665,417		665,417
<i>Operating Loss</i>	(221,541)		(221,541)
Non-Operating Disbursements			
Capital Outlay	(246)		(246)
Other Financing Uses		(\$10,000)	(10,000)
<i>Total Non-Operating Receipts (Disbursements)</i>	(246)	(10,000)	(10,246)
<i>Net Change in Fund Cash Balances</i>	(221,787)	(10,000)	(231,787)
<i>Fund Cash Balances, January 1</i>	250,356	10,000	260,356
<i>Fund Cash Balances, December 31</i>	\$28,569		\$28,569

See accompanying notes to the basic financial statements

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 - Reporting Entity

The Village of McComb (the Village), Hancock County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides gas utilities, park operations, and police services.

Joint Ventures, Jointly Governed Organizations, and Public Entity Risk Pools

The Village participates in jointly governed organizations, joint ventures and a public entity risk pool. Notes 6, 10, and 11 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Light Special Assessment The light special assessment fund accounts for and reports that portion of special assessment revenue restricted for lighting of the streets.

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 Special Assessment Construction The street special assessment construction fund accounts for and reports that portion of special assessment revenue restricted for lighting of the streets.

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 Fund:

Gas Operating The gas operating fund accounts for the provision of natural gas and distribution to the residents and commercial users located within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for deposits from insurance companies for properties damaged by fire in the Village. Funds are released to the property owner when a signed contractor's estimate of the costs of removing, repairing, or securing of the building or other structure is received unless the Village has incurred any costs for such repairs, removal, or securing of the building or other structure.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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 2018 budgetary activity appears in Note 3.

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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.

Capital Assets

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

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.

Fund Balance

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:

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

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.

Committed 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.

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.

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.

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$970,134	\$1,057,588	\$87,454
Special Revenue	131,999	123,803	(8,196)
Capital Projects	115,000	114,873	(127)
Enterprise	400,000	443,876	43,876
Total	\$1,617,133	\$1,740,140	\$123,007

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,034,247	\$969,378	\$64,869
Special Revenue	397,808	139,432	258,376
Capital Projects	327,506	190,487	137,019
Enterprise	650,356	665,674	(15,318)
Agency	10,000	10,000	
Total	\$2,419,917	\$1,974,971	\$444,946

Note 4 – 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:

	2018
Demand deposits	\$264,228
CDARS	424,870
Other time deposits	3,554
Total deposits	692,652
Cash on Hand	50
Total deposits and cash on hand	\$692,702

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

At December 31, 2018, \$0 of deposits were not insured or collateralized.

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Income Taxes

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.

Note 6 - Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

Ohio Police and Fire Retirement System

Some of the Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Social Security

Several Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$173,240	2%
SIB Loan	446,442	3%
OPWC Loans	55,179	0%
Total	<u>\$674,861</u>	

The General Obligation Notes were issued for the construction of a new Municipal swimming pool for the Village residents. The pool note was issued in November 2007 in the amount of \$520,000 and at year end has a remaining balance of \$173,240. The notes are being retired from General Fund revenue.

In 2014, the State Infrastructure Bank (SIB) approved a loan in the amount of \$642,000 for the reconstruction of Oliver Street. At year end the loan has a remaining balance of \$446,442.

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 three separate loans issued in 2006, 2007, and 2009 in the amounts of \$61,062, \$14,400, and \$35,525 respectively, with outstanding balances at year-end of \$24,425, \$6,480, and \$24,275. These loans are being retired from the General Fund.

Leases

The Village entered a noncancelable lease in October 2018 for restrooms in the Village park. The Village's first payment on the lease agreement is scheduled for January 2019.

Amortization

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

<u>Year Ending December 31:</u>	<u>Leases</u>	<u>General Obligation Notes</u>	<u>OPWC Loans</u>	<u>SIB Loan</u>
2019	\$14,896	\$41,746	\$4,957	\$52,007
2020	14,896	41,746	4,957	52,007
2021	14,896	41,746	4,957	52,007
2022	14,896	41,746	4,957	52,007
2023		20,855	4,957	52,007
2024-2028			17,960	260,034
2029-2033			5,921	
2034-2038			5,921	
2039			592	
Total	<u>\$59,584</u>	<u>\$187,839</u>	<u>\$55,179</u>	<u>\$520,069</u>

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10 – Joint Ventures

In 2016 the Village entered into a joint venture with Portage and Pleasant Townships, to form the North West Hancock Joint Fire District (NWHJFD), a volunteer fire department. Three Village council members represent the Village as members on the NWHJFD Board. The Village is contracted to pay \$26,000 annually for the NWHJFD.

The Village participates in a joint venture, along with Pleasant Township, making up the McComb Union Cemetery. Three Village Council members represent the Village as members on the McComb Union Cemetery Board. The Village is contracted to pay \$7,500 annually for the Cemetery.

Note 11 – Jointly Governed Organizations

The Village participates in a jointly governed organization along with Portage and Pleasant Townships, making up the PMP Joint Ambulance District. Three Village Council members represent the Village as members on the PMP Joint Ambulance District Board.

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$62,553				\$62,553
Municipal Income Tax	812,987				812,987
Intergovernmental	24,443	\$105,728		\$30,135	160,306
Special Assessments		45,408		101,485	146,893
Charges for Services	33,493				33,493
Fines, Licenses and Permits	14,980				14,980
Earnings on Investments	8,091	1,989			10,080
Miscellaneous	25,382	1,379			26,761
<i>Total Cash Receipts</i>	<u>981,929</u>	<u>154,504</u>		<u>131,620</u>	<u>1,268,053</u>
Cash Disbursements					
Current:					
Security of Persons and Property	351,351	984			352,335
Public Health Services	24,833				24,833
Leisure Time Activities	150,179				150,179
Community Environment		36,854			36,854
Basic Utility Services	88,869				88,869
Transportation	102,969	96,606			199,575
General Government	326,694	45,227		246,921	618,842
Capital Outlay				24,453	24,453
Debt Service:					
Principal Retirement	38,660		\$4,957	31,750	75,367
Interest and Fiscal Charges	5,460			20,257	25,717
<i>Total Cash Disbursements</i>	<u>1,089,015</u>	<u>179,671</u>	<u>4,957</u>	<u>323,381</u>	<u>1,597,024</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(107,086)</u>	<u>(25,167)</u>	<u>(4,957)</u>	<u>(191,761)</u>	<u>(328,971)</u>
Other Financing Receipts (Disbursements)					
Transfers In			4,689		4,689
Transfers Out	(4,689)				(4,689)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(4,689)</u>		<u>4,689</u>		
<i>Net Change in Fund Cash Balances</i>	<u>(111,775)</u>	<u>(25,167)</u>	<u>(268)</u>	<u>(191,761)</u>	<u>(328,971)</u>
<i>Fund Cash Balances, January 1</i>	<u>276,399</u>	<u>293,150</u>	<u>268</u>	<u>404,267</u>	<u>974,084</u>
Fund Cash Balances, December 31					
Restricted		267,983		212,506	480,489
Assigned	64,113				64,113
Unassigned	100,511				100,511
<i>Fund Cash Balances, December 31</i>	<u>\$164,624</u>	<u>\$267,983</u>		<u>\$212,506</u>	<u>\$645,113</u>

See accompanying notes to the basic financial statements

VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$431,573		\$431,573
Operating Cash Disbursements			
Personal Services	23,912		23,912
Employee Fringe Benefits	9,274		9,274
Contractual Services	368,344		368,344
Supplies and Materials	6,676		6,676
Other	425		425
<i>Total Operating Cash Disbursements</i>	408,631		408,631
<i>Operating Income</i>	22,942		22,942
Non-Operating Receipts (Disbursements)			
Capital Outlay	(2,035)		(2,035)
Other Financing Sources		\$10,000	10,000
<i>Total Non-Operating Receipts (Disbursements)</i>	(2,035)	10,000	7,965
<i>Net Change in Fund Cash Balances</i>	20,907	10,000	30,907
<i>Fund Cash Balances, January 1</i>	229,449		229,449
<i>Fund Cash Balances, December 31</i>	\$250,356	\$10,000	\$260,356

See accompanying notes to the basic financial statements

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 - Reporting Entity

The Village of McComb (the Village), Hancock County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides gas utilities, park operations, and police services.

Joint Ventures, Jointly Governed Organizations, and Public Entity Risk Pools

The Village participates in jointly governed organizations, joint ventures and a public entity risk pool. Notes 7, 11, and 12 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Light Special Assessment The light special assessment fund accounts for and reports that portion of special assessment revenue restricted for lighting of the streets.

Heart and Soul Grant The heart and soul grant fund accounts for and reports that portion of grant money provided by the contract with the Hancock County Community Foundation.

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 Funds

East Perrin Waterline The east perrin waterline fund accounts for and reports that portion of monies transferred from the General Fund to pay the Ohio Water Development Authority (OWDA) loan for this project.

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Oliver Storm Sewer The Oliver storm sewer fund accounts for and reports that portion of monies transferred from the General Fund to pay the Ohio Water Development Authority (OWDA) loan for this project.

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 Special Assessment Construction The street special assessment construction fund accounts for and reports that portion of special assessment revenue restricted for lighting of the streets.

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 Fund:

Gas Operating The gas operating fund accounts for the provision of natural gas and distribution to the residents and commercial users located within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for deposits from insurance companies for properties damaged by fire in the Village. Funds are released to the property owner when a signed contractor's estimate of the costs of removing, repairing, or securing of the building or other structure is received unless the Village has incurred any costs for such repairs, removal, or securing of the building or other structure.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 approve estimated resources.

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 2017 budgetary activity appears in Note 3.

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.

Capital Assets

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

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.

Fund Balance

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:

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

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.

Committed 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.

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.

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.

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,040,568	\$981,929	(\$58,639)
Special Revenue	247,500	154,504	(92,996)
Debt Service	17,028	4,689	(12,339)
Capital Projects	20,000	131,620	111,620
Enterprise	400,000	431,573	31,573
Agency		10,000	10,000
Total	<u>\$1,725,096</u>	<u>\$1,714,315</u>	<u>(\$10,781)</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,274,502	\$1,103,422	\$171,080
Special Revenue	297,590	180,609	116,981
Debt Service	4,957	4,957	
Capital Projects	523,698	332,655	191,043
Enterprise	626,853	419,496	207,357
Total	<u>\$2,727,600</u>	<u>\$2,041,139</u>	<u>\$686,461</u>

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 4 – 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:

	2017
Demand deposits	\$178,937
CDARS	722,929
Other time deposits	3,553
Total deposits	905,419
Cash on Hand	50
Total deposits and cash on hand	\$905,469

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

At December 31, 2017, \$0 of deposits were not insured or collateralized.

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Income Taxes

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.

Note 6 – Interfund Balances and Transfers

Transfers

During 2017, the General Fund made transfers, in the amount of \$4,689 to the Debt Service Funds.

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 7 - 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 Insurance Services Group, Inc. (York) 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 York. 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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Village's share of these unpaid claims collectible in future years is approximately \$8,000.

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>2017 Contributions to PEP</u>
\$12,452

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

Some of the Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Several Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$210,378	2%
SIB Loan	484,204	3%
OPWC Loans	60,136	0%
Total	\$754,718	

The General Obligation Notes were issued for the construction of a new Municipal swimming pool for the Village residents. The pool noted was issued in November 2007 in the amount of \$520,000 and at year end has a remaining balance of \$210,378. The notes are being retired from General Fund revenue.

In 2014, the State Infrastructure Bank (SIB) approved a loan in the amount of \$642,000 for the reconstruction of Oliver Street. At year end the loan has a remaining balance of \$484,204.

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 three separate loans issued in 2006, 2007, and 2009 in the amounts of \$61,062, \$14,400, and \$35,525 respectively, with outstanding balances at year-end of \$27,478, \$7,200, and \$25,459. These loans are being retired the General Fund.

Amortization

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

Year Ending December 31:	General Obligation Notes	OPWC Loans	SIB Loan
2018	\$44,120	\$4,957	\$52,007
2019	41,746	4,957	52,007
2020	41,746	4,957	52,007
2021	41,746	4,957	52,007
2022	41,746	4,957	52,007
2023-2027	20,855	21,733	260,034
2028-2032		5,921	52,007
2033-2037		5,921	
2038-2039		1,776	
Total	\$231,959	\$60,136	\$572,076

Note 11 – Joint Ventures

In 2016 the Village entered into a joint venture with Portage and Pleasant Townships, to form the North West Hancock Joint Fire District (NWHJFD), a volunteer fire department. Three Village council members represent the Village as members on the NWHJFD Board. The Village is contracted to pay \$26,000 annually for the NWHJFD.

The Village participates in a joint venture, along with Pleasant Township, making up the McComb Union Cemetery. Three Village Council members represent the Village as members on the McComb Union Cemetery Board. The Village is contracted to pay \$7,500 annually for the Cemetery.

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 12 – Jointly Governed Organizations

The Village participates in a jointly governed organization along with Portage and Pleasant Townships, making up the PMP Joint Ambulance District. Three Village Council members represent the Village as members on the PMP Joint Ambulance District Board.

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OHIO AUDITOR OF STATE KEITH FABER



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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
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 cash balances, receipts, and disbursements by fund type of the Village of McComb, Hancock County, Ohio, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated November 4, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 opinions 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.

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 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.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

November 4, 2019

**VILLAGE OF MCCOMB, OHIO
HANCOCK COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following adjustments are included in the accompanying financial statements:

- General fund unassigned fund balances of \$65,671 and \$54,395, in 2018 and 2017, respectively, were adjusted and classified as assigned fund balance in order to properly reflect outstanding encumbrances plus unencumbered fund balances assigned for subsequent year appropriations in accordance with GASB Statement No. 54 (GASB Cod 1800.165-.179).
- The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system and Notes to the Financial Statements. In 2018, variances of \$44,100 and \$10,000 in the Special Revenue and Agency Fund Types were noted. In 2017, a variance of \$87,298 in the Special Revenue Fund Types was noted. Additionally, in 2017, the approved Certificate of Estimated Resources was not properly posted to the accounting system resulting in a variance of \$103,000 between the Special Revenue and Capital Projects Fund Types, and a variance of \$17,028 in the Debt Service Fund type.

These errors were the result of inadequate policies and procedures in reviewing the financial statements and notes. Failure to complete accurate financial statements and notes could lead to Council making misinformed decisions. Additional errors were noted in smaller relative amounts for additional reasons.

To help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions. The Fiscal Officer should also review the Village Handbook and Audit Bulletin 2011-004 for information on GASB Statement No. 54.

Officials Response:

We did not receive a response from Officials to the finding reported above.



Village of McComb

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Finding was first issued in the 2009-2010 audit. Material Weakness for material posting errors resulting in reclassifications posted to the financial statements.	Not Corrected – Repeated as Finding 2018-001 in this report.	Recurrence occurred due to inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. Village Council will perform detailed reviews of financial information to ensure monies are properly posted.
2016-002	Finding was first issued in the 2015-2016 audit. Material Weakness for material errors in posting of approved budgetary amounts to the accounting system.	Not Corrected – Included as part of Finding 2018-001 in this report.	Recurrence occurred due to inadequate policies and procedures in reviewing the accounting records throughout the audit period. Village Council will perform detailed reviews of budgetary information to ensure amounts are properly posted.

OHIO AUDITOR OF STATE KEITH FABER



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
NOVEMBER 19, 2019**