



**VILLAGE OF MCCOMB
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF MCCOMB
HANCOCK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Enterprise Funds - For the Year Ended December 31, 2008.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Funds - For the Year Ended December 31, 2007.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 25, 2009

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of McComb, Hancock County, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of McComb, Hancock County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

September 25, 2009

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$77,626		\$47,540		\$125,166
Municipal Income Tax	654,053				654,053
Intergovernmental	92,249	\$92,053	12,427	\$18,628	215,357
Special Assessments		37,336		99,545	136,881
Charges for Services	28,436				28,436
Fines, Licenses and Permits	8,660				8,660
Earnings on Investments	83,623	10,788			94,411
Miscellaneous	20,451				20,451
Total Cash Receipts	965,098	140,177	59,967	118,173	1,283,415
Cash Disbursements:					
Current:					
Security of Persons and Property	289,834				289,834
Public Health Services	25,486				25,486
Leisure Time Activities	676,561				676,561
Community Environment	22,386				22,386
Basic Utility Service	2,054	20,979			23,033
Transportation	212,627	24,759			237,386
General Government	234,946	1,000			235,946
Debt Service:					
Redemption of Principal	18,175		69,272		87,447
Interest and Fiscal Charges	6,481		9,637		16,118
Capital Outlay		101,109		116,936	218,045
Total Cash Disbursements	1,488,550	147,847	78,909	116,936	1,832,242
Total Cash Receipts Over/(Under) Cash Disbursements	(523,452)	(7,670)	(18,942)	1,237	(548,827)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Other Debt Proceeds	500,801			90,156	590,957
Sale of Fixed Assets	5,300				5,300
Transfers-In			20,104		20,104
Transfers-Out	(20,104)				(20,104)
Total Other Financing Receipts / (Disbursements)	485,997		20,104	90,156	596,257
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(37,455)	(7,670)	1,162	91,393	47,430
Fund Cash Balances, January 1	880,900	701,845	11,290	249,466	1,843,501
Fund Cash Balances, December 31	\$843,445	\$694,175	\$12,452	\$340,859	\$1,890,931
Reserve for Encumbrances, December 31	\$45,176	\$3,461			\$48,637

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

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,407,474
Miscellaneous	4,900
	1,412,374
Operating Cash Disbursements:	
Personal Services	122,925
Travel Transportation	5,649
Contractual Services	951,543
Supplies and Materials	63,221
Other	2,546
Capital Outlay	58,416
	1,204,300
Operating Income	208,074
Non-Operating Cash Disbursements:	
Redemption of Principal	180,550
Interest and Other Fiscal Charges	71,371
	251,921
Excess of Cash Disbursements Over Cash Receipts	(43,847)
Fund Cash Balances, January 1	1,734,833
Fund Cash Balances, December 31	\$1,690,986
Reserve for Encumbrances, December 31	\$210,308

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

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$79,599		\$43,804		\$123,403
Municipal Income Tax	617,434				617,434
Intergovernmental	89,251	\$86,247	10,626	\$129,600	315,724
Special Assessments		35,370		94,280	129,650
Charges for Services	7,440				7,440
Fines, Licenses and Permits	12,409				12,409
Earnings on Investments	154,774	16,546			171,320
Miscellaneous	3,984				3,984
Total Cash Receipts	964,891	138,163	54,430	223,880	1,381,364
Cash Disbursements:					
Current:					
Security of Persons and Property	276,961				276,961
Public Health Services	24,482				24,482
Leisure Time Activities	139,073				139,073
Community Environment	14,964				14,964
Basic Utility Service	21,857	21,045			42,902
Transportation	216,659	22,042			238,701
General Government	252,348				252,348
Debt Service:					
Redemption of Principal			63,913		63,913
Interest and Fiscal Charges			13,280		13,280
Capital Outlay				616,737	616,737
Total Cash Disbursements	946,344	43,087	77,193	616,737	1,683,361
Total Cash Receipts Over/(Under) Cash Disbursements	18,547	95,076	(22,763)	(392,857)	(301,997)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Other Debt Proceeds	19,199			98,088	117,287
Sale of Fixed Assets	2,000				2,000
Transfers-In			18,564		18,564
Transfers-Out	(18,564)				(18,564)
Total Other Financing Receipts / (Disbursements)	2,635		18,564	98,088	119,287
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	21,182	95,076	(4,199)	(294,769)	(182,710)
Fund Cash Balances, January 1	859,718	606,769	15,489	544,235	2,026,211
Fund Cash Balances, December 31	\$880,900	\$701,845	\$11,290	\$249,466	\$1,843,501
Reserve for Encumbrances, December 31	\$315,702	\$52,878			\$368,580

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

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,380,160
Miscellaneous	4,400
	<u>1,384,560</u>
Total Operating Cash Receipts	<u>1,384,560</u>
Operating Cash Disbursements:	
Personal Services	115,758
Travel Transportation	4,073
Contractual Services	805,907
Supplies and Materials	52,891
Other	2,384
Capital Outlay	50,958
	<u>1,031,971</u>
Total Operating Cash Disbursements	<u>1,031,971</u>
Operating Income	<u>352,589</u>
Non-Operating Cash Disbursements:	
Redemption of Principal	151,953
Interest and Other Fiscal Charges	79,210
	<u>231,163</u>
Total Non-Operating Cash Disbursements	<u>231,163</u>
Excess of Cash Receipts Over Cash Disbursements	121,426
Fund Cash Balances, January 1	<u>1,613,407</u>
Fund Cash Balances, December 31	<u><u>\$1,734,833</u></u>
Reserve for Encumbrances, December 31	<u><u>\$111,457</u></u>

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, 2008 AND 2007**

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, (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 and general governmental services including road maintenance, park operations, and police services.

The Village participates in the Public Entities Pool of Ohio. Note 8 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 certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Village had the following significant special revenue funds:

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

Permissive Motor Vehicle Tax Fund -This fund receives part of the vehicle registration fees and the monies are used for repairs and improvements to designated streets.

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

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. 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 receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

East Perrin Ave. Street Improvement Fund – This fund receives proceeds of grants and loan for street improvements.

Oliver Storm Sewer Improvement Fund – This fund receives proceeds of grants for storm sewer improvements.

CSO Separation Fund – This fund receives proceeds of grants and a loan. The proceeds are being used to separate the sewer and storm sewer lines.

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:

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

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 2008 and 2007 budgetary activity appears in Note 3.

F. 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.

G. 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.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

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:

	2008	2007
Demand deposits	\$2,684,693	\$2,561,129
Certificates of deposit	897,174	1,017,155
Cash on Hand	50	50
Total deposits	\$3,581,917	\$3,578,334

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,284,254	\$1,471,199	\$186,945
Special Revenue	111,000	140,177	29,177
Debt Service	75,312	80,071	4,759
Capital Projects	224,702	208,329	(16,373)
Enterprise	1,439,000	1,412,374	(26,626)
Total	\$3,134,268	\$3,312,150	\$177,882

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,166,252	\$1,553,830	\$612,422
Special Revenue	811,993	151,308	660,685
Debt Service	86,602	78,909	7,693
Capital Projects	474,168	116,936	357,232
Enterprise	3,173,588	1,666,529	1,507,059
Total	\$6,712,603	\$3,567,512	\$3,145,091

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,051,659	\$986,090	(\$65,569)
Special Revenue	99,000	138,163	39,163
Debt Service	70,873	72,994	2,121
Capital Projects	438,435	321,968	(116,467)
Enterprise	1,421,000	1,384,560	(36,440)
Total	\$3,080,967	\$2,903,775	(\$177,192)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,615,160	\$1,280,610	\$334,550
Special Revenue	705,768	95,965	609,803
Debt Service	86,854	77,193	9,661
Capital Projects	981,769	616,737	365,032
Enterprise	3,034,408	1,374,591	1,659,817
Total	\$6,423,959	\$3,445,096	\$2,978,863

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 1 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.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Local Income Tax (Continued)

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, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$130,000	4.25% to 7.7%
General Obligation Note	501,824	4.73% - variable
Leases	48,714	
Ohio Public Works Commission Loans	153,276	0.00%
Ohio Water Development Authority Loans	1,315,083	3.5% to 9.78%
Total	<u>\$2,148,897</u>	

The Ohio Water Development Authority (OWDA) loans relate to utility construction, improvement, and a CSO (sewer) separation projects. In 1985 the Village was approved for a loan of \$291,227 for water plant improvements, this loan has a remaining balance of \$54,906 at year end. 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 \$252,845 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 \$822,561 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 \$79,360 at year end. In 2007 the Village was approved for a loan of \$164,535 and has received \$138,319 in 2007 and 2008 to pay for the design phase of the sewer separation project. This project has not been completed yet, but at year end the balance owed was \$105,411. Four of the five 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 \$17,142, \$20,883, \$12,977, \$53,429, \$13,320 and \$35,525. These loans are being retired from debt service funds with monies transferred from the General Fund.

The General Obligation Bonds were issued for the construction of the wastewater treatment plant and for purchase of a natural gas distribution system for Village residents. The wastewater treatment bonds were issued in 1989 in the amount of \$600,000, with \$55,000 outstanding at year end. The gas distribution bonds were issued in 1995 in the amount of \$400,000, with \$75,000 outstanding at year end. The wastewater treatment bonds are being retired with taxes levied on all property in the Village and the gas bonds are being retired with revenues generated through user charges.

The General Obligation Note was issued for the construction of a new Municipal swimming pool for the Village residents. The note was issued in November 2007 in the amount of \$520,000 with the proceeds received in 2007 and 2008. This note has remaining balance of \$501,824 outstanding at

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Debt (Continued)

year end. The note is being retired from General Fund revenue

Lease-to-own agreements were entered into for the purchase of a Sewer Vacuum Truck in 2003, a backhoe in 2006, and a police vehicle in 2008.

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

Year ending December 31:	OWDA loans	OPWC Loans	General Obligation Bonds	General Obligation Note	Leases
2009	\$185,468	\$13,597	\$98,718	\$24,657	\$30,177
2010	186,697	13,595	42,400	49,312	9,268
2011	156,494	13,596		49,313	9,269
2012	157,082	13,595		49,313	
2013	157,719	13,597		49,313	
2014 – 2018	526,996	32,594		246,564	
2019 – 2023	173,333	24,785		203,338	
2024 – 2028	10,290	16,075			
2029 – 2033		5,921			
2034 – 2038		5,921			
Total	<u>\$1,554,079</u>	<u>\$153,276</u>	<u>\$141,118</u>	<u>\$671,810</u>	<u>\$48,714</u>

7. Retirement Systems

The Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). Other employees and part-time police officers 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 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2008 and 2007, OPERS members contributed 9.5% and 10%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85% and 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

8. 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

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Risk Management (Continued)

local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006 (the latest information available):

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Risk Management (Continued)

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$27,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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>	
2005	\$30,168
2006	29,487
2007	22,800
2008	23,972

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

9. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

10. Subsequent Events

The Village awarded a contract in January 2009 totaling \$929,857 to Miller's Contracting Group for the storm sewer/sewer separation project. The Village will receive \$733,504 of American Recovery and Reinvestment Act towards the project.



Mary Taylor, CPA
Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of McComb, Hancock County, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 25, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in

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

accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is also a material weakness.

We also noted an internal control matter that we reported to the Village's management in a separate letter dated September 25, 2009.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted a certain noncompliance matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 25, 2009.

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

We intend this report solely for the information and use of the finance committee, management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 25, 2009

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Noncompliance Citation and Material Weakness

Ohio Revised Code § 5705.10(D) states, in part, that all revenue derived from a specific source shall be credited to a special fund for the purpose for which the monies were received.

During our testing the following transactions were found to be posted to the incorrect fund:

- In 2007, \$851 of motor vehicle license monies was posted to the General fund which should have been posted to the Street Construction, Maintenance and Repair and State Highway funds in the amounts of \$787 and \$64, respectively.
- In 2007, \$246 in Water fund delinquent utility assessments was posted to the General fund.

The accompanying financial statements and the Village's accounting records were adjusted to reflect these amounts in the proper funds.

In addition to the incorrect fund postings mentioned above we encountered the following transactions that required reclassification and the accompanying financial statements reflect these amounts:

- In 2007 and 2008, loan proceeds were posted as miscellaneous and intergovernmental revenues in the General and Capital Project funds in amounts ranging from \$19,199 to \$500,801.
- In 2007 and 2008, intergovernmental homestead, rollback and personal property tax reimbursements and charges for services were posted as taxes in the General and Debt Service funds in amounts ranging from \$10,626 to \$36,951.
- In 2007 and 2008, redemption of principal was posted as interest and other fiscal charges in the Enterprise and Capital Projects funds in amounts ranging from \$3,676 to \$79,210.
- In 2008, principal and interest and fiscal charges expenses were posted as leisure time expenses in the General fund in the amount of \$24,656.

Accurate financial reporting is the responsibility of the Clerk-Treasurer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. 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 Clerk-Treasurer and Finance Committee, to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to this finding.



Mary Taylor, CPA
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
OCTOBER 15, 2009**