



Dave Yost • 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, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Funds - For the Year Ended December 31, 2010.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Enterprise Funds - For the Year Ended December 31, 2009.....	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
Schedule of Prior Audit Findings .....	23

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# Dave Yost • Auditor of State

Village of McComb  
Hancock County  
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.

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**Dave Yost**  
Auditor of State

July 21, 2011

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# Dave Yost • 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, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. 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, 2010 and 2009 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, 2010 and 2009, 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 Village of McComb, Hancock County, as of December 31, 2010 and 2009, 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 July 21, 2011, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

July 21, 2011



**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, 2010**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$69,086				\$69,086
Municipal Income Tax	711,731				711,731
Intergovernmental	92,517	\$100,562	\$7,179	\$222,423	422,681
Special Assessments		36,800		98,117	134,917
Charges for Services	27,649				27,649
Fines, Licenses and Permits	14,063				14,063
Earnings on Investments	28,184	5,446			33,630
Miscellaneous	35,968				35,968
<b>Total Cash Receipts</b>	<u>979,198</u>	<u>142,808</u>	<u>7,179</u>	<u>320,540</u>	<u>1,449,725</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	228,588				228,588
Public Health Services	61,943				61,943
Leisure Time Activities	77,313				77,313
Community Environment	10,478				10,478
Basic Utility Service	1,800	28,402			30,202
Transportation	193,709	187,453			381,162
General Government	238,960				238,960
Debt Service:					
Redemption of Principal	26,811		17,077		43,888
Interest and Fiscal Charges	22,501		3,379		25,880
Capital Outlay	287,367	89,949		424,318	801,634
<b>Total Cash Disbursements</b>	<u>1,149,470</u>	<u>305,804</u>	<u>20,456</u>	<u>424,318</u>	<u>1,900,048</u>
<b>Total Disbursements Over Receipts</b>	<u>(170,272)</u>	<u>(162,996)</u>	<u>(13,277)</u>	<u>(103,778)</u>	<u>(450,323)</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Other Debt Proceeds	70,000			6,353	76,353
Transfers-In			20,457		20,457
Transfers-Out	(20,457)				(20,457)
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>49,543</u>		<u>20,457</u>	<u>6,353</u>	<u>76,353</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(120,729)</u>	<u>(162,996)</u>	<u>7,180</u>	<u>(97,425)</u>	<u>(373,970)</u>
<b>Fund Cash Balances, January 1</b>	<u>872,384</u>	<u>771,707</u>		<u>424,963</u>	<u>2,069,054</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$751,655</u></u>	<u><u>\$608,711</u></u>	<u><u>\$7,180</u></u>	<u><u>\$327,538</u></u>	<u><u>\$1,695,084</u></u>
<b>Reserve for Encumbrances, December 31</b>	<u><u>\$40,890</u></u>	<u><u>\$8,966</u></u>			<u><u>\$49,856</u></u>

*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, 2010

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$1,136,165
Miscellaneous	7,900
	<hr/>
Total Operating Cash Receipts	1,144,065
	<hr/>
<b>Operating Cash Disbursements:</b>	
Personal Services	166,448
Employee Fringe Benefits	6,237
Contractual Services	664,797
Supplies and Materials	61,638
Other	5,062
Capital Outlay	32,350
	<hr/>
Total Operating Cash Disbursements	936,532
	<hr/>
Operating Income	207,533
	<hr/>
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	230,711
Interest and Other Fiscal Charges	53,633
	<hr/>
Total Non-Operating Cash Disbursements	284,344
	<hr/>
Net Disbursements Over Receipts	(76,811)
	<hr/>
Fund Cash Balances, January 1	1,581,766
	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,504,955</u></b>
	<hr/>
Reserve for Encumbrances, December 31	<u>\$105,490</u>

*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, 2009**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$59,065		\$36,018		\$95,083
Municipal Income Tax	635,382				635,382
Intergovernmental	137,998	\$76,819	12,162	\$652,132	879,111
Special Assessments		37,879		100,991	138,870
Charges for Services	30,488				30,488
Fines, Licenses and Permits	10,813				10,813
Earnings on Investments	37,547	5,736			43,283
Miscellaneous	21,388				21,388
<b>Total Cash Receipts</b>	<u>932,681</u>	<u>120,434</u>	<u>48,180</u>	<u>753,123</u>	<u>1,854,418</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	229,416				229,416
Public Health Services	22,074				22,074
Leisure Time Activities	74,972				74,972
Community Environment	4,969				4,969
Basic Utility Service	1,820	20,068			21,888
Transportation	193,064	17,607			210,671
General Government	240,730				240,730
Debt Service:					
Redemption of Principal	25,992		71,926		97,918
Interest and Fiscal Charges	23,321		9,413		32,734
Capital Outlay	66,677	5,227		1,067,681	1,139,585
<b>Total Cash Disbursements</b>	<u>883,035</u>	<u>42,902</u>	<u>81,339</u>	<u>1,067,681</u>	<u>2,074,957</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>49,646</u>	<u>77,532</u>	<u>(33,159)</u>	<u>(314,558)</u>	<u>(220,539)</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Other Debt Proceeds				398,662	398,662
Transfers-In			20,707		20,707
Transfers-Out	(20,707)				(20,707)
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>(20,707)</u>		<u>20,707</u>	<u>398,662</u>	<u>398,662</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>28,939</u>	<u>77,532</u>	<u>(12,452)</u>	<u>84,104</u>	<u>178,123</u>
<b>Fund Cash Balances, January 1</b>	<u>843,445</u>	<u>694,175</u>	<u>\$12,452</u>	<u>340,859</u>	<u>1,890,931</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$872,384</b></u>	<u><b>\$771,707</b></u>		<u><b>\$424,963</b></u>	<u><b>\$2,069,054</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$8,767</b></u>	<u><b>\$3,116</b></u>			<u><b>\$11,883</b></u>

*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, 2009**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$1,406,807
Miscellaneous	18,243
Total Operating Cash Receipts	1,425,050
<b>Operating Cash Disbursements:</b>	
Personal Services	121,414
Employee Fringe Benefits	14,859
Contractual Services	1,055,900
Supplies and Materials	54,518
Other	5,645
Capital Outlay	16,336
Total Operating Cash Disbursements	1,268,672
Operating Income	156,378
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	202,837
Interest and Other Fiscal Charges	62,761
Total Non-Operating Cash Disbursements	265,598
Net Disbursements Over Receipts	(109,220)
Fund Cash Balances, January 1	1,690,986
<b>Fund Cash Balances, December 31</b>	<b>\$1,581,766</b>
Reserve for Encumbrances, December 31	\$89,446

*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, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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 had the following significant Special Revenue Funds:

**VILLAGE OF MCCOMB  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

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

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

E. Perrin Sewerline Debt Fund -This fund receives transfer monies from the general fund to pay the debt on the sewerline project loan.

**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:

CSO Separation Fund – This fund receives proceeds of grants and loans. 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:

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

**VILLAGE OF MCCOMB  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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 2010 and 2009 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.

**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:

	2010	2009
Demand deposits	\$2,743,987	\$3,200,136
Certificates of deposit	456,002	450,634
Cash on Hand	50	50
Total deposits	<u>\$3,200,039</u>	<u>\$3,650,820</u>

**VILLAGE OF MCCOMB  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**2. Equity in Pooled Deposits (Continued)**

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$889,629	\$1,049,198	\$159,569
Special Revenue	121,000	142,808	21,808
Debt Service	20,457	27,636	7,179
Capital Projects	433,000	326,893	(106,107)
Enterprise	1,397,000	1,144,065	(252,935)
Total	\$2,861,086	\$2,690,600	(\$170,486)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,762,012	\$1,210,817	\$551,195
Special Revenue	901,409	314,770	586,639
Debt Service	20,457	20,456	1
Capital Projects	867,962	424,318	443,644
Enterprise	2,978,766	1,326,366	1,652,400
Total	\$6,530,606	\$3,296,727	\$3,233,879

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$857,915	\$932,681	\$74,766
Special Revenue	109,854	120,434	10,580
Debt Service	68,887	68,887	
Capital Projects	1,552,459	1,151,785	(400,674)
Enterprise	1,534,246	1,425,050	(109,196)
Total	\$4,123,361	\$3,698,837	(\$424,524)



**VILLAGE OF MCCOMB  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,703,554	\$912,509	\$791,045
Special Revenue	802,324	46,018	756,306
Debt Service	77,854	81,339	(3,485)
Capital Projects	1,893,318	1,067,681	825,637
Enterprise	3,224,741	1,623,716	1,601,025
Total	\$7,701,791	\$3,731,263	\$3,970,528

**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.

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.

**VILLAGE OF MCCOMB  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$519,021	4.5% - variable
Ohio Public Works Commission Loans	126,083	0.00%
Ohio Water Development Authority Loans	1,339,114	0.0% to 8.31%
Total	\$1,984,218	

The Ohio Water Development Authority (OWDA) loans relate to utility construction, improvement, and a CSO (sewer) separation projects. In 1987 the Village was approved for a loan of \$615,728 for waste water treatment plant improvements, this loan has a remaining balance of \$173,261 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 \$708,117 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 \$72,551 at year end. In 2007 the Village was approved for a loan of \$164,535 and has received to date \$156,387 to pay for the design phase of the sewer separation project. This project has not been finalized yet, but at year end the balance owed was \$41,212. In 2009 the Village was approved for a loan of \$584,004 and has received to date \$387,773 to pay for the sewer separation project. This project has not been finalized yet, but at year end the balance owed was \$343,973. 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 \$10,285, \$13,922, \$9,517, \$47,322, \$11,880 and \$33,157. These loans are being retired from debt service funds with monies transferred from the General Fund.

The General Obligation Notes were issued for the construction of a new Municipal swimming pool for the Village residents, and the purchase of land. The pool note was issued in November 2007 in the amount of \$520,000 and at year end has a remaining balance of \$449,021. The note for the land purchase was issued in 2010 in the amount of \$70,000 and at year end \$70,000 is outstanding. The notes are being retired from General Fund revenue.

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

**VILLAGE OF MCCOMB  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Debt (Continued)**

Year ending December 31:	OPWC Loans	OWDA Loans	General Obligation Notes
2011	\$13,596	\$218,601	\$65,104
2012	13,596	202,736	65,103
2013	13,596	186,919	65,103
2014	10,168	158,000	65,103
2015	6,688	128,749	65,103
2016-2020	25,652	597,400	246,564
2021-2025	24,786	176,870	104,712
2026-2030	8,527	102,200	
2031-2035	5,921		
2036-2038	3,553		
Total	<u>\$126,083</u>	<u>\$1,771,475</u>	<u>\$676,792</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 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, 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, 2010.

**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 local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF MCCOMB  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**8. Risk Management (Continued)**

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, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village's share of these unpaid claims collectible in future years is approximately \$21,000.

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

<u>Contributions to PEP</u>	
2008	\$23,972
2009	\$23,982
2010	\$22,550

VILLAGE OF MCCOMB  
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)

**8. Risk Management (Continued)**

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.

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# Dave Yost • 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, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 21, 2011, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 21, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

July 21, 2011



**VILLAGE OF MCCOMB  
HANCOCK COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2010-001**

**Material Weakness**

**Financial Reporting**

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

We encountered the following transactions that required reclassification and the accompanying financial statements reflect these amounts:

- In 2009 and 2010, loan proceeds were posted as miscellaneous and intergovernmental revenues in the General and Capital Project funds in amounts ranging from \$6,353 to \$398,662.
- In 2009 and 2010, intergovernmental homestead, rollback and personal property tax reimbursements were posted as taxes in the General and Debt Service funds in amounts ranging from \$12,162 to \$35,791.
- In 2009 interest expense was incorrectly posted in the General fund as redemption of principal in the amount of \$5,219, and in 2010 interest of \$152 was incorrectly posted in the Debt Service fund as principal.
- In 2009 and 2010 capital outlay expenses were incorrectly presented on the financial statements in various other accounts for the General and Special Revenue funds in amounts ranging from \$5,227 to \$284,502.

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

**Officials' Response:**

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

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VILLAGE OF MCCOMB  
HANCOCK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Noncompliance Citation and Material Weakness for errors in posting of transactions	No	Partially corrected; repeated as Finding 2010-001, in this report.

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# Dave Yost • Auditor of State

**VILLAGE OF MCCOMB**

**HANCOCK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 4, 2011**