



VILLAGE OF MCCOMB
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 for each governmental and proprietary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village of McComb, Hancock County, Ohio (the Village).

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, 2020 and 2019, 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 for each governmental and proprietary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village, 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.

Emphasis of Matter

As discussed in Note 14 to the 2020 financial statements and in Note 13 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2021, 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

September 15, 2021

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**Village of McComb
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, 2020

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$68,249			\$68,249
Municipal Income Tax	889,752			889,752
Intergovernmental	31,243	\$201,801	\$3,432	236,476
Special Assessments		46,846	117,167	164,013
Charges for Services	7,113			7,113
Fines, Licenses and Permits	11,164			11,164
Earnings on Investments	1,927	152		2,079
Miscellaneous	72,964	2,789		75,753
<i>Total Cash Receipts</i>	<u>1,082,412</u>	<u>251,588</u>	<u>120,599</u>	<u>1,454,599</u>
Cash Disbursements				
Current:				
Security of Persons and Property	279,334	1,434		280,768
Public Health Services	10,340			10,340
Leisure Time Activities	93,753	1,528		95,281
Community Environment		103,040		103,040
Transportation	89,501	92,305	6,583	188,389
General Government	339,821	12,390		352,211
Debt Service:				
Principal Retirement	40,001		38,912	78,913
Interest and Fiscal Charges	4,223		13,095	17,318
<i>Total Cash Disbursements</i>	<u>856,973</u>	<u>210,697</u>	<u>58,590</u>	<u>1,126,260</u>
<i>Net Change in Fund Cash Balances</i>	225,439	40,891	62,009	328,339
<i>Fund Cash Balances, January 1</i>	<u>383,043</u>	<u>269,156</u>	<u>193,073</u>	<u>845,272</u>
<i>Fund Cash Balances, December 31</i>	<u>\$608,482</u>	<u>\$310,047</u>	<u>\$255,082</u>	<u>\$1,173,611</u>

See accompanying notes to the basic financial statements

**Village of McComb
Hancock County**

Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2020

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$547,720</u>
Operating Cash Disbursements	
Contractual Services	323,841
Supplies and Materials	13,888
Other	<u>1,552</u>
<i>Total Operating Cash Disbursements</i>	<u>339,281</u>
<i>Net Change in Fund Cash Balances</i>	208,439
<i>Fund Cash Balances, January 1</i>	<u>11,950</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$220,389</u></u>

See accompanying notes to the basic financial statements

Village of McComb
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Village of McComb, Hancock County, Ohio (the Village) 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 Organization, Public Entity Risk Pool

The Village participates in a jointly governed organization, 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 fund types which are all 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.

Coronavirus Relief Fund The Coronavirus Relief Fund accounts for the federal CARES Act moneys received by the Village.

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
Hancock County**
Notes to the Financial Statements
For the Year Ended December 31, 2020

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:

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.

Storm Water Maintenance The storm water maintenance fund accounts for the storm water service charge. This charge is to pay for the repair, replacement, planning, design, regulation, education, coordination, improvement, operation, inspection, maintenance and enforcement of the existing and future storm water system.

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 the 2020 budgetary activity appears in Note 4.

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.

**Village of McComb
Hancock County**
Notes to the Financial Statements
For the Year Ended December 31, 2020

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

Note 3 – Compliance

Contrary to Ohio law, the Village appropriations exceeded estimated revenue in the technology fund by \$24,000 for the year ended December 31, 2020.

Contrary to Ohio law, the Village inappropriately recorded \$52,535 of gas tax revenue in the state highway fund. Given the source of the revenue, this should have been recorded in the street construction, maintenance and repair fund.

Village of McComb
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$978,000	\$1,082,412	\$104,412
Special Revenue	129,700	251,588	121,888
Capital Projects	60,000	120,599	60,599
Enterprise	579,878	547,720	(32,158)
Total	\$1,747,578	\$2,002,319	\$254,741

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,079,811	\$866,960	\$212,851
Special Revenue	336,075	212,542	123,533
Capital Projects	141,298	67,292	74,006
Enterprise	591,828	339,776	252,052
Total	\$2,149,012	\$1,486,570	\$662,442

Note 5 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	2020
Cash Management Pool:	
Demand deposits	\$1,123,387
CDARS	266,958
Other time deposits	3,555
Total deposits	1,393,900
Cash on hand	100
Total deposits and cash on hand	\$1,394,000

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the village is holding \$42,508 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Village of McComb
Hancock County**
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – 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 7 – Risk Management

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>2020</u>
Cash and investments	\$40,318,971
Actuarial liabilities	\$14,111,510

**Village of McComb
Hancock County**
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has not paid \$3,568 of contributions required through December 31, 2020.

Ohio Police and Fire Retirement System

Some of the Village's certified Fire Fighters and full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has not paid \$3,082 of contributions required through December 31, 2020.

Social Security

Several of the Village 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, 2020.

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 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

Village of McComb
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2020

	Principal	Interest Rate
General Obligation Notes	\$99,394	2%
SIB Loan	369,760	3%
OPWC Loans	47,743	0%
Total	\$516,897	

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 \$99,394. 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 \$369,760.

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 \$19,844, \$5,400, and \$22,499. 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 disbursed \$14,896 to pay lease costs for the year ended December 31, 2020.

The Village entered a noncancelable lease in February 2019 for a police cruiser. The Village disbursed \$11,546 to pay lease costs for the year ended December 31, 2020.

Amortization

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

Year Ending December 31:	Leases	General Obligation Notes	OPWC Loans	SIB Loan
2021	\$26,442	\$41,746	\$4,957	\$52,007
2022	26,442	41,746	4,957	52,007
2023		20,855	4,957	52,007
2024			4,957	52,007
2025			4,957	52,007
2026-2030			12,301	156,021
2031-2035			5,921	
2036-2039			4,736	
Total	\$52,884	\$104,347	\$47,743	\$416,056

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.

**Village of McComb
Hancock County**
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 12 – Jointly Governed Organization

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.

Note 13 – Fund Balances

Included in fund balance are amounts the Village cannot spend. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Outstanding Encumbrances	\$9,987	\$1,845	\$8,702	\$20,534

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects fund are restricted committed or assigned. These restricted, committed and assigned amounts in the special revenue, and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. Of the amounts received, \$95,826 was returned to the granting agency. These amounts are reflected as community environment expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

Note 15 – Miscellaneous Revenues

The general fund received rental income, donations, and Bureau of Workers Compensation receipts in 2020.

**Village of McComb
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, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$37,900			\$37,900
Municipal Income Tax	871,383			871,383
Intergovernmental	52,552	\$82,035	\$7,709	142,296
Special Assessments		50,456	108,311	158,767
Charges for Services	6,583			6,583
Fines, Licenses and Permits	14,926			14,926
Earnings on Investments	7,181	1,061		8,242
Miscellaneous	27,830	3,307	450	31,587
<i>Total Cash Receipts</i>	<u>1,018,355</u>	<u>136,859</u>	<u>116,470</u>	<u>1,271,684</u>
Cash Disbursements				
Current:				
Security of Persons and Property	335,292	1,359		336,651
Public Health Services	8,899			8,899
Leisure Time Activities	86,719			86,719
Community Environment		489		489
Basic Utility Services	10,250			10,250
Transportation	73,519	90,135	8,282	171,936
General Government	340,234	36,657		376,891
Debt Service:				
Principal Retirement	41,280		37,770	79,050
Interest and Fiscal Charges	5,423		14,237	19,660
<i>Total Cash Disbursements</i>	<u>901,616</u>	<u>128,640</u>	<u>60,289</u>	<u>1,090,545</u>
<i>Excess of Receipts Over Disbursements</i>	<u>116,739</u>	<u>8,219</u>	<u>56,181</u>	<u>181,139</u>
Other Financing Receipts (Disbursements)				
Transfers In		453		453
Transfers Out	(453)			(453)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(453)</u>	<u>453</u>		
<i>Net Change in Fund Cash Balances</i>	116,286	8,672	56,181	181,139
<i>Fund Cash Balances, January 1</i>	<u>266,757</u>	<u>260,484</u>	<u>136,892</u>	<u>664,133</u>
Fund Cash Balances, December 31				
Restricted		269,156	193,073	462,229
Assigned	1,982			1,982
Unassigned	381,061			381,061
<i>Fund Cash Balances, December 31</i>	<u>\$383,043</u>	<u>\$269,156</u>	<u>\$193,073</u>	<u>\$845,272</u>

See accompanying notes to the basic financial statements

**Village of McComb
Hancock County**

Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2019

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$432,807</u>
Operating Cash Disbursements	
Personal Services	308
Employee Fringe Benefits	326
Contractual Services	439,463
Supplies and Materials	4,972
Other	<u>4,357</u>
<i>Total Operating Cash Disbursements</i>	<u>449,426</u>
<i>Net Change in Fund Cash Balances</i>	<u>(16,619)</u>
<i>Fund Cash Balances, January 1</i>	<u>28,569</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$11,950</u></u>

See accompanying notes to the basic financial statements

Village of McComb
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of McComb, Hancock County, Ohio (the Village) 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 Organization, Public Entity Risk Pool

The Village participates in a jointly governed organization, 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 fund types which are all 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.

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:

**Village of McComb
Hancock County**
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

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 2019 budgetary activity appears in Note 4.

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:

**Village of McComb
Hancock County**
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 the 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.

Note 3 – Compliance

Contrary to Ohio law, the Village appropriations exceeded estimated revenue in the light special assessment and park district grant funds by \$15,444 and \$10,173, respectively, for the year ended December 31, 2019.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,076,683	\$1,018,355	(\$58,328)
Special Revenue	114,695	137,312	22,617
Capital Projects	100,000	116,470	16,470
Enterprise	458,300	432,807	(25,493)
Total	<u>\$1,749,678</u>	<u>\$1,704,944</u>	<u>(\$44,734)</u>

**Village of McComb
Hancock County**
Notes to the Financial Statements
For the Year Ended December 31, 2019

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,161,593	\$904,051	\$257,542
Special Revenue	146,019	128,640	17,379
Capital Projects	124,060	60,289	63,771
Enterprise	436,371	449,584	(13,213)
Total	\$1,868,043	\$1,542,564	\$325,479

Note 5 – 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:

	<u>2019</u>
Demand deposits	\$588,236
CDARS	265,332
Other time deposits	<u>3,554</u>
Total deposits	857,122
Cash on Hand	<u>100</u>
Total deposits and cash on hand	<u>\$857,222</u>

Deposits

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

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2019, the village is holding \$35,864 in unremitted employee payroll withholdings.

Note 6 – 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.

**Village of McComb
Hancock County**
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 7 – Risk Management

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>2019</u>
Cash and investments	\$38,432,610
Actuarial liabilities	\$14,705,917

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

Some of the Village's certified Fire Fighters and full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

**Village of McComb
Hancock County**
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has not paid \$9,796 of contributions required through December 31, 2019.

Social Security

Several of the Village 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, 2019.

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 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$136,917	2%
SIB Loan	408,672	3%
OPWC Loan	50,222	0%
Total	<u>\$595,811</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 \$136,917. 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 \$408,672.

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 \$21,371, \$5,760, and \$23,091. These loans are being retired from the general fund.

**Village of McComb
Hancock County**
Notes to the Financial Statements
For the Year Ended December 31, 2019

Leases

The Village entered a noncancelable lease in October 2018 for restrooms in the Village park. The Village disbursed \$14,896 to pay lease costs for the year ended December 31, 2019.

The Village entered a noncancelable lease in February 2019 for a police cruiser. The Village disbursed \$11,546 to pay lease costs for the year ended December 31, 2019.

Amortization

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

Year Ending December 31:	General Obligation			
	Leases	Notes	OPWC Loans	SIB Loan
2020	\$26,442	\$41,746	\$2,479	\$52,007
2021	26,442	41,746	4,957	52,007
2022	26,442	41,746	4,957	52,007
2023		20,855	4,957	52,007
2024			4,957	52,007
2025-2029			16,073	208,028
2030-2034			5,921	
2035-2039			5,921	
Total	<u>\$79,326</u>	<u>\$146,093</u>	<u>\$50,222</u>	<u>\$468,063</u>

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.

Note 12 – Jointly Governed Organization

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.

Note 13 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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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 for each governmental and proprietary fund type combined total as of and for the year ended December 21, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and the related notes of the Village of McComb, Hancock County, Ohio, (the Village) and have issued our report thereon dated September 15, 2021 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. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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 2020-001 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 financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2020-001 through 2020-002.

Village's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

September 15, 2021

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2020-001

Noncompliance and Material Weakness

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

In 2020, due to inadequate policies and procedures in reviewing the financial statements, the Village inappropriately recorded \$52,535 of gas tax revenue in the State Highway Fund. Given the source of the revenue, this should have been recorded in the Street Construction, Maintenance and Repair Fund. An audit adjustment is reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response:

Correct information as to the different revenue streams and their origins for the 2011 and 2021 revenue fund is in place to prevent the error occurring again. Council reviews all accounts each month.

FINDING NUMBER 2020-002

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

At December 31, 2019 the Village's appropriations exceeded the amount certified as available by the budget commission in the LIGHT Special Assessment and Park District Grant funds by \$15,444 and \$10,173, respectively.

At December 31, 2020 the Village's appropriations exceeded the amount certified as available by the budget commission in the Technology fund by \$24,000.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Village's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Village should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by Council to reduce the appropriations.

Officials' Response:

2019 - Council currently reviews all accounts each month.

2020 – The Technology fund was approved per ordinance but the revenue stream had not been established and therefore, had not been funded properly since it was approved. This issue will be discussed at the next finance meeting and then acted upon at the next council meeting so the revenue stream will be set by ordinance and this will correct further issues with the Tech Fund.

Village of McComb

210 E. Main Street
McComb, OH 45858-0340

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material weakness for lack of monitoring of financial transactions resulting in the financial statements. This issue was first reported in the 2009-2010 audit.	Fully corrected.	

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MCCOMB

HANCOCK COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/5/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov