



Dave Yost • Auditor of State

VILLAGE OF MCCOMB
HANCOCK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of McComb, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013.

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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1B 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, 2014 and 2013, or 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 combined cash balances of the Village of McComb, Hancock County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 21, 2015

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$46,962				\$46,962
Municipal Income Tax	920,513				920,513
Intergovernmental	31,710	\$77,680		\$104,294	213,684
Special Assessments		31,426		81,808	113,234
Charges for Services	18,609				18,609
Fines, Licenses and Permits	21,770				21,770
Earnings on Investments	11,579	2,707			14,286
Miscellaneous	22,628	9,368		3,602	35,598
<i>Total Cash Receipts</i>	<u>1,073,771</u>	<u>121,181</u>		<u>189,704</u>	<u>1,384,656</u>
Cash Disbursements					
Current:					
Security of Persons and Property	341,523	30,374			371,897
Public Health Services	23,741				23,741
Leisure Time Activities	77,885				77,885
Transportation	217,979	324,997			542,976
General Government	314,370	168			314,538
Capital Outlay	43,757	56,113		862,013	961,883
Debt Service:					
Principal Retirement	36,105		\$9,151		45,256
Interest and Fiscal Charges	8,015		2,793		10,808
<i>Total Cash Disbursements</i>	<u>1,063,375</u>	<u>411,652</u>	<u>11,944</u>	<u>862,013</u>	<u>2,348,984</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,396</u>	<u>(290,471)</u>	<u>(11,944)</u>	<u>(672,309)</u>	<u>(964,328)</u>
Other Financing Receipts (Disbursements)					
Loan Proceeds		242,214		473,425	715,639
Transfers In			17,028		17,028
Transfers Out	(17,028)				(17,028)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(17,028)</u>	<u>242,214</u>	<u>17,028</u>	<u>473,425</u>	<u>715,639</u>
<i>Net Change in Fund Cash Balances</i>	(6,632)	(48,257)	5,084	(198,884)	(248,689)
<i>Fund Cash Balances, January 1</i>	<u>226,600</u>	<u>548,335</u>	<u>3,430</u>	<u>329,411</u>	<u>1,107,776</u>
Fund Cash Balances, December 31					
Restricted		500,078	8,514	391,955	900,547
Assigned	219,968				219,968
Unassigned (Deficit)				(261,428)	(261,428)
<i>Fund Cash Balances, December 31</i>	<u>\$219,968</u>	<u>\$500,078</u>	<u>\$8,514</u>	<u>\$130,527</u>	<u>\$859,087</u>

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

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,177,962		\$1,177,962
Miscellaneous		\$20,000	20,000
<i>Total Operating Cash Receipts</i>	<u>1,177,962</u>	<u>20,000</u>	<u>1,197,962</u>
Operating Cash Disbursements			
Personal Services	151,713		151,713
Employee Fringe Benefits	77,589		77,589
Contractual Services	802,230		802,230
Supplies and Materials	72,308		72,308
Other	4,365	20,000	24,365
<i>Total Operating Cash Disbursements</i>	<u>1,108,205</u>	<u>\$20,000</u>	<u>1,128,205</u>
<i>Operating Income</i>	<u>69,757</u>		<u>69,757</u>
Non-Operating Disbursements			
Capital Outlay	(123,566)		(123,566)
Principal Retirement	(181,154)		(181,154)
Interest and Other Fiscal Charges	(28,154)		(28,154)
<i>Total Non-Operating Disbursements</i>	<u>(332,874)</u>		<u>(332,874)</u>
<i>Loss before Transfers</i>	(263,117)		(263,117)
Transfers In	31,984		31,984
Transfers Out	(31,984)		(31,984)
<i>Net Change in Fund Cash Balances</i>	(263,117)		(263,117)
<i>Fund Cash Balances, January 1</i>	<u>1,568,355</u>		<u>1,568,355</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,305,238</u></u>		<u><u>\$1,305,238</u></u>

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

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$51,968				\$51,968
Municipal Income Tax	704,303				704,303
Intergovernmental	35,557	\$77,554		\$12,570	125,681
Special Assessments		36,023		91,695	127,718
Charges for Services	18,081	1,678		2,230	21,989
Fines, Licenses and Permits	11,698				11,698
Earnings on Investments	2,967	778			3,745
Miscellaneous	48,757	4,243			53,000
<i>Total Cash Receipts</i>	<u>873,331</u>	<u>120,276</u>		<u>106,495</u>	<u>1,100,102</u>
Cash Disbursements					
Current:					
Security of Persons and Property	289,016	35,572			324,588
Public Health Services	25,218				25,218
Leisure Time Activities	92,894				92,894
Community Environment	185				185
Basic Utility Services					
Transportation	223,046	81,461		38,697	343,204
General Government	403,694				403,694
Capital Outlay	88,370	19,886		196,597	304,853
Debt Service:					
Principal Retirement	75,497		\$17,486		92,983
Interest and Fiscal Charges	14,132		2,970		17,102
<i>Total Cash Disbursements</i>	<u>1,212,052</u>	<u>136,919</u>	<u>20,456</u>	<u>235,294</u>	<u>1,604,721</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(338,721)</u>	<u>(16,643)</u>	<u>(20,456)</u>	<u>(128,799)</u>	<u>(504,619)</u>
Other Financing Receipts (Disbursements)					
Loan Proceeds		27,901		175,347	203,248
Sale of Capital Assets	40,000				40,000
Transfers In			20,456		20,456
Transfers Out	(60,456)				(60,456)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(20,456)</u>	<u>27,901</u>	<u>20,456</u>	<u>175,347</u>	<u>203,248</u>
<i>Net Change in Fund Cash Balances</i>	<u>(359,177)</u>	<u>11,258</u>		<u>46,548</u>	<u>(301,371)</u>
<i>Fund Cash Balances, January 1</i>	<u>585,777</u>	<u>537,077</u>	<u>3,430</u>	<u>282,863</u>	<u>1,409,147</u>
Fund Cash Balances, December 31					
Restricted		548,335	3,430	332,526	884,291
Assigned	226,600				226,600
Unassigned (Deficit)				(3,115)	(3,115)
<i>Fund Cash Balances, December 31</i>	<u>\$226,600</u>	<u>\$548,335</u>	<u>\$3,430</u>	<u>\$329,411</u>	<u>\$1,107,776</u>

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

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$1,112,546
Miscellaneous	8,486
	<u>1,121,032</u>
<i>Total Operating Cash Receipts</i>	<u>1,121,032</u>
Operating Cash Disbursements	
Personal Services	161,325
Employee Fringe Benefits	85,800
Contractual Services	742,885
Supplies and Materials	57,241
Other	5,508
	<u>1,052,759</u>
<i>Total Operating Cash Disbursements</i>	<u>1,052,759</u>
<i>Operating Income</i>	<u>68,273</u>
Non-Operating Receipts (Disbursements)	
Loan Proceeds	97,559
Capital Outlay	(43,005)
Principal Retirement	(145,062)
Interest and Other Fiscal Charges	(34,747)
	<u>(125,255)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(125,255)</u>
<i>Loss before Transfers</i>	(56,982)
Transfers In	235,291
Transfers Out	(195,291)
	<u>(16,982)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(16,982)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,585,337</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,568,355</u></u>

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

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

The Village participates in Public Entities Pool of Ohio. Note 10 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 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 Board 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.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

3. Debt Service Funds

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

East Perrin Sewerline Debt Fund - This fund receives transfers from the General Fund to pay the Ohio Water Development Authority (OWDA) loan for this project.

4. Capital Project Funds

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

Wastewater Treatment Plant Improvement Project Fund – This fund receives proceeds of an OWDA loan. The proceeds are being used to make improvements to the wastewater treatment plant.

Water Tower Replacement Project Fund – This fund receives proceeds of an OWDA loan and an Ohio Public Works Commission (OPWC) grant. The proceeds are being used for the replacement of a water tower.

Special Assessment Street Repair Fund - This fund receives special assessments to maintain designated Village 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.

6. Fiduciary Funds

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Agency Fund:

Fire Damage Claims Fund – This fund receives deposits from insurance companies for properties damaged by fire in the Village. The deposits in the Fire Damage Claims Fund are released to the property owner when they submit a contractor's signed estimate of the costs of removing, repairing or securing the building or other structure if the Village has not incurred any costs for repairs, removal, or securing of the building or other structure.

D. 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. 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 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 2014 and 2013 budgetary activity appears in Note 3.

E. 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:

1. Nonspendable

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

2. Restricted

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

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

4. Assigned

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

5. Unassigned

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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:

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

	2014	2013
Demand deposits	\$448,365	\$1,215,376
Certificates of deposit	1,715,910	1,460,705
Cash on hand	50	50
Total deposits	\$2,164,325	\$2,676,131

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$908,916	\$1,073,771	\$164,855
Special Revenue	303,099	363,395	60,296
Debt Service	20,456	17,028	(3,428)
Capital Projects	1,417,922	663,129	(754,793)
Enterprise	1,266,984	1,209,946	(57,038)
Fiduciary	20,000	20,000	
Total	\$3,937,377	\$3,347,269	(\$590,108)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,139,202	\$1,088,056	\$51,146
Special Revenue	847,748	423,426	424,322
Debt Service	20,457	11,944	8,513
Capital Projects	1,747,333	1,160,693	586,640
Enterprise	2,835,339	1,563,423	1,271,916
Fiduciary	20,000	20,000	
Total	\$6,610,079	\$4,267,542	\$2,342,537

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$795,597	\$913,331	\$117,734
Special Revenue	348,243	148,177	(200,066)
Debt Service	20,457	20,456	(1)
Capital Projects	1,525,449	281,842	(1,243,607)
Enterprise	1,236,487	1,453,882	217,395
Total	<u>\$3,926,233</u>	<u>\$2,817,688</u>	<u>(\$1,108,545)</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,327,194	\$1,295,012	\$32,182
Special Revenue	799,240	142,038	657,202
Debt Service	23,887	20,456	3,431
Capital Projects	1,808,312	331,081	1,477,231
Enterprise	2,881,248	1,512,140	1,369,108
Total	<u>\$6,839,881</u>	<u>\$3,300,727</u>	<u>\$3,539,154</u>

Contrary to Ohio law, at December 31, 2014, the Water Tower Replacement Project fund had a cash deficit balance of \$261,428 and as of December 31, 2013, the WWTP Improvement Project and Water Tower Replacement Project funds had a cash deficit balance of \$1,085 and \$2,030, respectively.

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.

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

5. Local Income Tax

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$323,737	5%
Ohio Public Works Commission Loans	80,209	0%
Ohio Water Development Authority Loans	1,245,843	0 - 8.31%
SIB Loan	<u>538,230</u>	3%
Total	<u><u>\$2,188,019</u></u>	

The Ohio Water Development Authority (OWDA) loans relate to utility construction, improvement, and a CSO (sewer) separation projects. 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 \$481,595 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 \$59,075 at year end. In 2009, the Village was approved for a loan of \$412,026 for the sewer separation project; this loan had a remaining balance of \$287,077. In 2012, the Village was approved for a loan of \$290,600 and has received to date \$198,220 for waste water treatment plant improvements. This project has not been finalized yet, but at year end the balance owed was \$140,100. In 2013, the Village was approved for a loan of \$991,629 and has received to date \$277,996 for water tower replacement. This project has not been finalized yet, but at year end the balance owed was \$277,996. 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 five separate loans issued in 1993, 1995, 2005, 2007 and 2008 in the amounts of \$69,613, \$34,604, \$61,062, \$14,400 and \$35,525 respectively, with outstanding balances at year-end of \$1,740, \$3,460, \$36,637, \$9,360 and \$29,012. 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. The pool note was issued in November 2007 in the amount of \$520,000 and at year end has a remaining balance of \$323,737. 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 street reconstruction of Oliver Street and the Village has received to date \$540,230. This project has not been finalized yet, but at year end the balance owed was \$540,230.

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

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

Year ending December 31:	General Obligation Notes	OPWC Loans	OWDA Loans	SIB Loan
2015	\$44,120	\$8,428	\$212,039	
2016	44,120	6,687	237,495	\$52,007
2017	44,120	4,957	238,837	52,007
2018	44,120	4,957	238,837	52,007
2019	44,120	4,957	180,717	52,007
2020-2024	135,787	24,786	532,827	260,034
2025-2029		14,187	412,698	208,027
2030-2034		5,921	302,831	
2035-2039		5,329	6,196	
Total	<u>\$356,387</u>	<u>\$80,209</u>	<u>\$2,362,477</u>	<u>\$676,089</u>

7. Capital Leases

The Village has entered into capitalized leases for a pick-up truck and SUV. Principal payments in 2014 were \$18,793 in the governmental funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2014.

Year:	Governmental Activities
2015	<u>\$9,698</u>
2016	<u>9,698</u>
Total	<u>\$19,396</u>

8. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OP&F participants contributed 10-11.5% of their wages. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, 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, 2014.

9. Interfund Transfers

During 2014 and 2013, the General Fund made transfers, in the amount of \$17,028 and \$60,456, respectively, to the Debt Service and Enterprise Funds. In addition, the Village made transfers within the Enterprise Funds to make debt service payments during 2014 and 2013.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

10. 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.

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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$12,000.

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

VILLAGE OF MCCOMB
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2014</u>
\$17,734	\$18,176

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.

11. Subsequent Event

On March 24, 2015, the Village received a \$130,000 grant from the Heart and Soul Foundation. The grant will be used toward economic development and community enrichment over a two year period.

12. Miscellaneous Revenues

In 2014 miscellaneous revenues in the Agency Fund was made up of monies received from insurance companies on behalf of home owners with insurable losses.



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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, P.O. Box 340
McComb, Ohio 45858-0340

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of McComb, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated September 21, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 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, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-002.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 21, 2015

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Material Weakness

Financial Reporting

Errors were noted in the posting of revenues and expenditures to the financial statements that required reclassifications and adjustments. The Village's accounting records were adjusted to reflect the adjustments affecting fund balances. The accompanying financial statements were adjusted or reclassified to reflect these amounts in the proper funds and accounts:

- In 2013, beginning balance in the Special Revenue Funds was adjusted by \$360,000 to tie to prior year report and to remove posted adjustment from 2013 activity.
- In 2014 and 2013, expenditures were misclassified in amounts ranging from \$1,643 to \$316,280 in the General Fund.
- In 2014 and 2013, revenues were misclassified in amounts ranging from \$26,901 to \$241,252 and expenditures were misclassified in amounts ranging from \$9,956 to \$317,020 in the Special Revenue Funds.
- In 2014 and 2013, the Special Assessment Street Repair Fund was improperly classified in the Special Revenue Funds rather than the Capital Project Funds resulting in adjustments ranging from \$2,230 to \$383,325.
- In 2014, interest and fiscal charges were misposted as principal retirement in the Debt Service Funds.
- In 2014 and 2013, revenues were misclassified in amounts ranging from \$2,230 to \$334,155 and in 2013 capital outlay expenditures were misclassified as general government in the amount of \$150,562 in the Capital Project Funds.
- In 2013, revenues were misclassified in amounts ranging from \$8,486 to \$329,477 and capital outlay expenditures were misclassified as supplies and materials in the amount of \$31,146 in the Enterprise Funds.
- There were reclassifications to ending fund balance in 2013 and 2014 to the General, Special Revenue, Debt Service and Capital Project funds in the classification of fund balance in accordance with GASB 54 in amounts ranging from \$3,430 to \$548,335.

These errors occurred as a result of a misunderstanding of the proper account to post the above transactions.

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.

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.

FINDING NUMBER 2014-002

Noncompliance Citation

Ohio Rev. Code § 5705.10 requires money paid into any fund shall be used only for the purpose for which such fund was established. The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance.

The Water Tower Replacement Project fund had a deficit fund balance of \$261,428 as of December 31, 2014 and the WWTP Improvement Project and Water Tower Replacement Project funds had a deficit fund balance of \$1,085 and \$2,030, respectively, as of December 31, 2013.

We recommend the Fiscal Officer monitor monthly financial activity and if potential noncompliance exists, monies should be advanced to the appropriate funds after Board approval of an appropriate resolution.

Officials' Response:

For the remainder of the invoices concerning the projects in question, vouchers were not paid until the loan disbursements had been received. All contractors for future projects will be paid directly from the loan distributor.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code § 5705.15-5705.16 for improper transfers.	Yes	
2012-002	Ohio Rev. Code § 5705.10(D) for posting of revenue to the wrong funds.	No	Partially corrected. Reissued in the management letter.
2012-003	Material weakness due to errors in reporting.	No	Not corrected. Reissued as Finding 2014-001 in this report.

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VILLAGE OF MCCOMB

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 24, 2015**