



**Auditor of State
Betty Montgomery**

VILLAGE OF McCOMB
HANCOCK COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of McComb, Hancock County (the Village) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Village of McComb
Hancock County
Independent Accountants' Report
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This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 1, 2003

**VILLAGE OF McCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Income Taxes	\$527,225				\$527,225
Property Tax and Other Local Taxes	93,571		\$41,021		134,592
Special Assessments		\$30,820		\$82,064	112,884
Intergovernmental Receipts	78,340	52,644	3,016		134,000
Charges for Services	15,002				15,002
Fines, Licenses, and Permits	6,105				6,105
Earnings on Investments	83,418	3,724			87,142
Miscellaneous	2,734				2,734
	806,395	87,188	44,037	82,064	1,019,684
Cash Disbursements:					
Current:					
Security of Persons and Property	249,924				249,924
Public Health Services	23,789				23,789
Leisure Time Activities	82,132				82,132
Community Environment	2,195				2,195
Basic Utility Services	136,424	19,418			155,842
Transportation	145,660	20,411			166,071
General Government	260,306				260,306
Debt Service:					
Principal Payments			38,640		38,640
Interest Payments			27,573		27,573
Capital Outlay		26,098		14,934	41,032
	900,430	65,927	66,213	14,934	1,047,504
Total Receipts Over/(Under) Disbursements	(94,035)	21,261	(22,176)	67,130	(27,820)
Other Financing Receipts and (Disbursements):					
Transfers-In			8,640		8,640
Transfers-Out	(8,640)				(8,640)
	(8,640)		8,640		
Total Other Financing Receipts/(Disbursements)	(8,640)		8,640		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(102,675)	21,261	(13,536)	67,130	(27,820)
Fund Cash Balances, January 1	1,041,573	283,761	85,247	314,185	1,724,766
Fund Cash Balances, December 31	\$938,898	\$305,022	\$71,711	\$381,315	\$1,696,946
Reserves for Encumbrances, December 31	\$14,497	\$40			\$14,537

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

VILLAGE OF McCOMB
HANCOCK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$1,042,712
Miscellaneous	4,200
	<hr/>
Total Operating Cash Receipts	1,046,912
	<hr/>
Operating Cash Disbursements:	
Personal Services	123,593
Travel and Transportation	712
Contractual Services	564,372
Supplies and Materials	41,296
Capital Outlay	44,896
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Total Operating Cash Disbursements	774,869
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Operating Income	272,043
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Non-Operating Cash Disbursements:	
Debt Service	215,785
Consumer Deposits	2,442
	<hr/>
Total Non-Operating Cash Disbursements	218,227
	<hr/>
Net Receipts Over Disbursements	53,816
	<hr/>
Fund Cash Balances, January 1	965,668
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Fund Cash Balances, December 31	<u>\$1,019,484</u>
	<hr/>
Reserve for Encumbrances, December 31	\$79,057
	<hr/> <hr/>

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

**VILLAGE OF McCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Income Taxes	\$475,448				\$475,448
Property Tax and Other Local Taxes	84,925		\$44,613		129,538
Special Assessments		\$27,205		\$72,407	99,612
Intergovernmental Receipts	68,436	51,475	3,233		123,144
Charges for Services	13,197				13,197
Fines, Licenses, and Permits	5,899				5,899
Earnings on Investments	128,663	6,734			135,397
Miscellaneous	1,388				1,388
	<u>777,956</u>	<u>85,414</u>	<u>47,846</u>	<u>72,407</u>	<u>983,623</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	231,472				231,472
Public Health Services	21,297				21,297
Leisure Time Activities	68,830				68,830
Community Environment	11,800				11,800
Basic Utility Services	213,885	22,336			236,221
Transportation	164,299	69,239			233,538
General Government	197,805				197,805
Debt Service:					
Principal Payments			38,639		38,639
Interest Payments			29,916		29,916
Capital Outlay				80,634	80,634
	<u>909,388</u>	<u>91,575</u>	<u>68,555</u>	<u>80,634</u>	<u>1,150,152</u>
Total Disbursements Over Receipts	<u>(131,432)</u>	<u>(6,161)</u>	<u>(20,709)</u>	<u>(8,227)</u>	<u>(166,529)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In			8,641		8,641
Transfers-Out	(8,641)				(8,641)
	<u>(8,641)</u>		<u>8,641</u>		<u></u>
Total Other Financing Receipts/(Disbursements)	<u>(8,641)</u>		<u>8,641</u>		<u></u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(140,073)	(6,161)	(12,068)	(8,227)	(166,529)
Fund Cash Balances, January 1	1,181,646	289,922	97,315	322,412	1,891,295
Fund Cash Balances, December 31	<u>\$1,041,573</u>	<u>\$283,761</u>	<u>\$85,247</u>	<u>\$314,185</u>	<u>\$1,724,766</u>
Reserves for Encumbrances, December 31	<u>\$29,028</u>	<u>\$8,703</u>	<u></u>	<u></u>	<u>\$37,731</u>

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

**VILLAGE OF McCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,107,365
Miscellaneous	5,900
Total Operating Cash Receipts	1,113,265
Operating Cash Disbursements:	
Personal Services	110,364
Travel and Transportation	6,325
Contractual Services	599,062
Supplies and Materials	36,580
Capital Outlay	20,279
Total Operating Cash Disbursements	772,610
Operating Income	340,655
Non-Operating Cash Disbursements:	
Debt Service	174,660
Consumer Deposits	2,760
Total Non-Operating Cash Disbursements	177,420
Net Receipts Over Disbursements	163,235
Fund Cash Balances, January 1	802,433
Fund Cash Balances, December 31	\$965,668
Reserve for Encumbrances, December 31	\$37,899

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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. 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, 2002 AND 2001
(Continued)**

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

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Wastewater Plant Bond Retirement Fund – This fund receives property taxes to retire the waste water treatment plant debt.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Special Assessment Street Maintenance Fund - This fund receives special assessments to repair the Village streets.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Gas Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF McCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2002	2001
Demand deposits	\$1,652,342	\$1,672,036
Certificates of deposit	1,064,088	1,018,398
Total deposits	\$2,716,430	\$2,690,434

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$773,195	\$806,395	\$33,200
Special Revenue	79,500	87,188	7,688
Debt Service	51,203	52,677	1,474
Capital Projects	87,000	82,064	(4,936)
Enterprise	1,139,000	1,046,912	(92,088)
Total	\$2,129,898	\$2,075,236	(\$54,662)

**VILLAGE OF McCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,814,769	\$923,567	\$891,202
Special Revenue	363,264	65,967	297,297
Debt Service	136,450	66,213	70,237
Capital Projects	401,185	14,934	386,251
Enterprise	2,104,670	1,072,153	1,032,517
Total	<u>\$4,820,338</u>	<u>\$2,142,834</u>	<u>\$2,677,504</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$699,876	\$777,956	\$78,080
Special Revenue	79,000	85,414	6,414
Debt Service	54,639	56,487	1,848
Capital Projects	80,000	72,407	(7,593)
Enterprise	1,018,800	1,113,265	94,465
Total	<u>\$1,932,315</u>	<u>\$2,105,529</u>	<u>\$173,214</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,881,514	\$947,057	\$934,457
Special Revenue	368,925	100,278	268,647
Debt Service	151,956	68,555	83,401
Capital Projects	402,415	80,634	321,781
Enterprise	1,821,235	987,929	833,306
Total	<u>\$4,626,045</u>	<u>\$2,184,453</u>	<u>\$2,441,592</u>

Twelve percent of the transactions tested were not certified before the invoice date or with a then-and-now certification. In addition, the Village had \$65,813 in outstanding purchase commitments as of December 31, 2002 that were not certified until 2003, and as a result were inappropriately charged against fiscal year 2003 appropriations.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF McCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$1,708,489	3.5% -9.78%
Ohio Public Works Commission Loans	\$102,838	0.00%
General Obligation Notes	28,000	5.50%
General Obligation Bonds	<u>560,000</u>	4.25%-7.7%
Total	<u><u>\$2,399,327</u></u>	

The Ohio Water Development Authority (OWDA) loans relate to utility construction and improvement projects. In 1985 the Village was approved for a loan of \$291,227 for water plant improvements, this loan has a remaining balance of \$169,634 at year end. In 1987 the Village was approved for a loan of \$615,728 for waste water treatment plant improvements, this loan has a remaining balance of \$427,810 at year end. In 1999 the Village was approved for a loan of \$1,210,580 for construction of a new drinking water treatment plan, this loan has a remaining balance of \$1,111,045 at year end. All three of these loans are being repaid with revenues generated from user charges of the Village utilities.

The Ohio Public Works Commission Loans relate to the installation of waterlines in the Village. There are three separate loans issued in 1992, 1993 and 1995 in the amounts of \$68,573, 69,613 and 34,604, respectively, with outstanding balances at year end of \$37,715, 41,767 and \$23,356. These notes are being retired from debt service funds with monies transferred from the general fund.

The General Obligation Bonds were issued for the construction of the waste water treatment plant and for purchase of a natural gas distribution system for Village residence. The wastewater treatment bonds were issued in 1989 in the amount of \$600,000, with \$310,000 outstanding at year end. The gas distribution bonds were issued in 1995 in the amount of \$400,000, with \$250,000 outstanding at year end. The waste water treatment bonds are being retired with taxes levied on all

**VILLAGE OF McCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

property in the Village and the gas distribution bonds are being retired with revenues generated through user charges.

General Obligation Notes were issued in 1998, in the amount of \$140,000 for the purpose of purchasing property to be used as a medical office. In 2002, the Village converted the building to be used as the municipal building.

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

Year ending December 31:	OWDA Loan	OPWC Loan	General Obligation Bonds	General Obligation Notes
2003	\$137,102	\$8,640	\$98,120	\$29,540
2004	183,447	8,640	99,113	
2005	183,447	8,640	99,695	
2006	183,447	8,640	99,965	
2007	183,447	8,640	94,805	
2008 – 2012	854,151	43,200	240,733	
2013 – 2017	552,271	16,438		
2018 – 2020	278,067			
Total	<u>\$2,555,379</u>	<u>\$102,838</u>	<u>\$732,431</u>	<u>\$29,540</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs.

**VILLAGE OF McCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of McComb, Hancock County (the Village) as of and for the years ended December 31, 2002 and 2001 and have issued our report thereon dated April 1, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2002-30232-001.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 1, 2003.

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Village of McComb
Hancock County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
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This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 1, 2003

**VILLAGE OF McCOMB
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-30232-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certifications are to be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, at the time of the contract or purchase order, and at the time of the certificate, appropriated and free of any previous encumbrance, Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of Council, if such expenditure is otherwise valid.

Twelve percent of the transactions tested were not certified before the invoice date or with a then-and-now certification. In addition, the Village had \$65,813 in outstanding purchase commitments as of December 31, 2002 that were not certified until 2003, and as a result were inappropriately charged against fiscal year 2003 appropriations. The accompanying financial statements have been adjusted to reflect this amount as an outstanding encumbrance in the Enterprise funds as of December 31, 2002.

Certification is not only required by Ohio law but is a key control in the disbursement process to help assure that purchase commitments receive prior approval and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Village Council. To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Clerk/Treasurer and Council periodically review the expenditures made to ensure they are certified by the Clerk/Treasurer and recorded against appropriations.



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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
MAY 8, 2003**