



Mary Taylor, CPA  
Auditor of State



VILLAGE OF MCDONALD  
TRUMBULL COUNTY

TABLE OF CONTENTS

| TITLE   | PAGE |
|---|------|
| Cover Letter .....  | 1    |
| Independent Accountants' Report.....  | 3    |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances - All Governmental Fund Types -<br>For the Year Ended December 31, 2008.....              | 5    |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances - All Proprietary and Fiduciary Fund Types -<br>For the Year Ended December 31, 2008..... | 6    |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances - All Governmental Fund Types -<br>For the Year Ended December 31, 2007.....              | 7    |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances - All Proprietary and Fiduciary Fund Types -<br>For the Year Ended December 31, 2007..... | 8    |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances - All Governmental Fund Types -<br>For the Year Ended December 31, 2006.....              | 9    |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Fund Cash Balances - All Proprietary and Fiduciary Fund Types -<br>For the Year Ended December 31, 2006..... | 10   |
| Notes to the Financial Statements .....   | 11   |
| Independent Accountants' Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> .....           | 19   |
| Schedule of Findings.....   | 21   |
| Schedule of Prior Audit Findings.....   | 23   |

**THIS PAGE INTENTIONALLY LEFT BLANK.**



Mary Taylor, CPA  
Auditor of State

Village of Mc Donald  
Trumbull County  
451 Ohio Avenue  
Mc Donald, Ohio 44437

To the Village Council:

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

November 13, 2009

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Mc Donald  
Trumbull County  
451 Ohio Avenue  
Mc Donald, Ohio 44437

To the Village Council:

We have audited the accompanying financial statements of Village of Mc Donald, Trumbull County, (the Village) as of and for the years ended December 31, 2008, 2007, and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008, 2007, and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008, 2007, and 2006 or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Mc Donald, Trumbull County, as of December 31, 2008, 2007, and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 13, 2009



**VILLAGE OF MC DONALD  
TRUMBULL COUNTY**

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

|  | <b>Governmental Fund Types</b> |                            |                         |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
|  | <b>General</b>                 | <b>Special<br/>Revenue</b> | <b>Debt<br/>Service</b> | <b>Capital<br/>Projects</b> |   |
| <b>Cash Receipts:</b>  |                                |                            |                         |                             |   |
| Property and Local Taxes   | \$137,899                      | \$0                        |                         |                             | \$137,899                               |
| Intergovernmental  | 239,255                        | 192,846                    |                         |                             | 432,101                                 |
| Charges for Services   | 17,394                         | 41,516                     |                         |                             | 58,910                                  |
| Fines, Licenses and Permits  | 39,613                         | 13,081                     |                         |                             | 52,694                                  |
| Earnings on Investments  | 66,838                         | 4,438                      |                         | \$2,201                     | 73,477                                  |
| Miscellaneous  | 38,088                         | 600                        |                         | 700                         | 39,388                                  |
| <b>Total Cash Receipts</b>   | <b>539,087</b>                 | <b>252,481</b>             | <b>0</b>                | <b>2,901</b>                | <b>794,469</b>                          |
| <b>Cash Disbursements:</b>   |                                |                            |                         |                             |   |
| Current:   |                                |                            |                         |                             |   |
| Security of Persons and Property   | 391,721                        | 62,767                     |                         |                             | 454,488                                 |
| Public Health Services   | 2,930                          |                            |                         |                             | 2,930                                   |
| Leisure Time Activities  | 20,727                         |                            |                         |                             | 20,727                                  |
| Community Environment  | 3,462                          |                            |                         |                             | 3,462                                   |
| Basic Utility Service  | 119,985                        |                            |                         |                             | 119,985                                 |
| Transportation   | 1,025                          | 219,039                    |                         |                             | 220,064                                 |
| General Government   | 529,338                        | 1,891                      |                         |                             | 531,229                                 |
| Debt Service:  |                                |                            |                         |                             |   |
| Redemption of Principal  |                                |                            | 89,427                  |                             | 89,427                                  |
| Interest and Fiscal Charges  |                                |                            | 4,695                   |                             | 4,695                                   |
| Capital Outlay   |                                |                            |                         | 144,689                     | 144,689                                 |
| <b>Total Cash Disbursements</b>  | <b>1,069,188</b>               | <b>283,697</b>             | <b>94,122</b>           | <b>144,689</b>              | <b>1,591,696</b>                        |
| Total Receipts Over/(Under) Disbursements  | (530,101)                      | (31,216)                   | (94,122)                | (141,788)                   | (797,227)                               |
| <b>Other Financing Receipts / (Disbursements):</b>   |                                |                            |                         |                             |   |
| Sale of Fixed Assets   |                                |                            |                         | 3,600                       | 3,600                                   |
| Transfers-In   | 475,000                        |                            | 75,000                  | 200,000                     | 750,000                                 |
| <b>Total Other Financing Receipts / (Disbursements)</b>  | <b>475,000</b>                 | <b>0</b>                   | <b>75,000</b>           | <b>203,600</b>              | <b>753,600</b>                          |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | (55,101)                       | (31,216)                   | (19,122)                | 61,812                      | (43,627)                                |
| Fund Cash Balances, January 1  | 101,181                        | 177,899                    | 47,312                  | 23,522                      | 349,914                                 |
| <b>Fund Cash Balances, December 31</b>   | <b>\$46,080</b>                | <b>\$146,683</b>           | <b>\$28,190</b>         | <b>\$85,334</b>             | <b>\$306,287</b>                        |

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

**VILLAGE OF MC DONALD  
TRUMBULL COUNTY**

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

|  | Proprietary<br>Fund Types |                        | Fiduciary<br>Fund Types   | Totals<br>(Memorandum<br>Only) |
|--|---------------------------|------------------------|---------------------------|--------------------------------|
|  | Enterprise                | Internal<br>Service    | Agency                    |                                |
| <b>Operating Cash Receipts:</b>  |                           |                        |                           |                                |
| Charges for Services   | \$1,023,737               | \$7,463                |                           | \$1,031,200                    |
| Property and Local Taxes   |                           |                        | \$12,294                  | 12,294                         |
| Municipal Income Tax   |                           |                        | 967,530                   | 967,530                        |
| Fines, Licenses and Permits  |                           |                        | 53,057                    | 53,057                         |
| Earnings on Investments  | 2,004                     |                        | 3,829                     | 5,833                          |
| Total Operating Cash Receipts  | <u>1,025,741</u>          | <u>7,463</u>           | <u>1,036,710</u>          | <u>2,069,914</u>               |
| <b>Operating Cash Disbursements:</b>   |                           |                        |                           |                                |
| Personal Services  | 281,806                   | 25,262                 |                           | 307,068                        |
| Security of Persons & Property   |                           |                        | 40,835                    | 40,835                         |
| Contractual Services   | 550,309                   |                        |                           | 550,309                        |
| Supplies and Materials   | 48,192                    |                        |                           | 48,192                         |
| General Government   |                           |                        | 53,057                    | 53,057                         |
| Total Operating Cash Disbursements   | <u>880,307</u>            | <u>25,262</u>          | <u>93,892</u>             | <u>999,461</u>                 |
| Operating Income/(Loss)  | <u>145,434</u>            | <u>(17,799)</u>        | <u>942,818</u>            | <u>1,070,453</u>               |
| <b>Non-Operating Cash Disbursements:</b>   |                           |                        |                           |                                |
| Capital Outlay   | 40,690                    |                        |                           | 40,690                         |
| Redemption of Principal  | 158,295                   |                        |                           | 158,295                        |
| Interest and Other Fiscal Charges  | 24,212                    |                        |                           | 24,212                         |
| Total Non-Operating Cash Disbursements   | <u>223,197</u>            | <u>0</u>               | <u>0</u>                  | <u>223,197</u>                 |
| Excess of Receipts Over/(Under) Disbursements<br>Before Interfund Transfers and Advances | (77,763)                  | (17,799)               | 942,818                   | 847,256                        |
| Transfers-In   | 60,000                    |                        | 50,000                    | 110,000                        |
| Transfers-Out  | (60,000)                  |                        | (800,000)                 | (860,000)                      |
| Advances-In  |                           |                        |                           | 0                              |
| Advances-Out   |                           |                        |                           | 0                              |
| Net Receipts Over/(Under) Disbursements  | (77,763)                  | (17,799)               | 192,818                   | 97,256                         |
| Fund Cash Balances, January 1  | <u>531,744</u>            | <u>43,550</u>          | <u>1,002,495</u>          | <u>1,577,789</u>               |
| <b>Fund Cash Balances, December 31</b>   | <b><u>\$453,981</u></b>   | <b><u>\$25,751</u></b> | <b><u>\$1,195,313</u></b> | <b><u>\$1,675,045</u></b>      |

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

**VILLAGE OF MC DONALD  
TRUMBULL COUNTY**

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

|  | <u>Governmental Fund Types</u> |                            |                         |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |   |
| <b>Cash Receipts:</b>  |                                |                            |                         |                             |   |
| Property and Local Taxes   | \$145,272                      |                            |                         |                             | \$145,272                               |
| Intergovernmental  | 323,786                        | \$439,624                  |                         |                             | 763,410                                 |
| Charges for Services   | 16,830                         | 42,991                     |                         |                             | 59,821                                  |
| Fines, Licenses and Permits  | 30,627                         | 4,421                      |                         |                             | 35,048                                  |
| Earnings on Investments  | 64,880                         | 4,297                      |                         | \$3,633                     | 72,810                                  |
| Miscellaneous  | 42,904                         | 46                         |                         | 1,000                       | 43,950                                  |
|  | <u>624,299</u>                 | <u>491,379</u>             | <u>0</u>                | <u>4,633</u>                | <u>1,120,311</u>                        |
| <b>Cash Disbursements:</b>   |                                |                            |                         |                             |   |
| Current:   |                                |                            |                         |                             |   |
| Security of Persons and Property   | 388,975                        | 54,325                     |                         |                             | 443,300                                 |
| Public Health Services   | 2,983                          |                            |                         |                             | 2,983                                   |
| Leisure Time Activities  | 19,114                         |                            |                         |                             | 19,114                                  |
| Community Environment  | 3,114                          |                            |                         |                             | 3,114                                   |
| Basic Utility Service  | 119,965                        |                            |                         |                             | 119,965                                 |
| Transportation   | 1,050                          | 220,846                    |                         |                             | 221,896                                 |
| General Government   | 535,495                        | 1,794                      |                         |                             | 537,289                                 |
| Capital Outlay   |                                | 257,836                    |                         | 298,238                     | 556,074                                 |
|  | <u>1,070,696</u>               | <u>534,801</u>             | <u>0</u>                | <u>298,238</u>              | <u>1,903,735</u>                        |
| Total Receipts Over/(Under) Disbursements  | <u>(446,397)</u>               | <u>(43,422)</u>            | <u>0</u>                | <u>(293,605)</u>            | <u>(783,424)</u>                        |
| <b>Other Financing Receipts / (Disbursements):</b>   |                                |                            |                         |                             |   |
| Proceeds from Sale of Public Debt:   |                                |                            |                         |                             |   |
| Other Debt Proceeds  |                                |                            |                         | 89,427                      | 89,427                                  |
| Transfers-In   | 510,000                        | 40,000                     |                         | 220,000                     | 770,000                                 |
|  | <u>510,000</u>                 | <u>40,000</u>              | <u>0</u>                | <u>309,427</u>              | <u>859,427</u>                          |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements |                                |                            |                         |                             |   |
|  | 63,603                         | (3,422)                    | 0                       | 15,822                      | 76,003                                  |
| Fund Cash Balances, January 1  | <u>37,578</u>                  | <u>181,321</u>             | <u>47,312</u>           | <u>7,700</u>                | <u>273,911</u>                          |
| <b>Fund Cash Balances, December 31</b>   | <b><u>\$101,181</u></b>        | <b><u>\$177,899</u></b>    | <b><u>\$47,312</u></b>  | <b><u>\$23,522</u></b>      | <b><u>\$349,914</u></b>                 |

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

**VILLAGE OF MC DONALD  
TRUMBULL COUNTY**

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

|  | Proprietary<br>Fund Types |                        | Fiduciary<br>Fund Types   | Totals<br>(Memorandum<br>Only) |
|--|---------------------------|------------------------|---------------------------|--------------------------------|
|  | Enterprise                | Internal<br>Service    | Agency                    |                                |
| <b>Operating Cash Receipts:</b>  |                           |                        |                           |                                |
| Charges for Services   | \$968,590                 | \$8,503                |                           | \$977,093                      |
| Property and Local Taxes   |                           |                        | \$12,579                  | 12,579                         |
| Municipal Income Tax   |                           |                        | 941,273                   | 941,273                        |
| Fines, Licenses and Permits  |                           |                        | 45,333                    | 45,333                         |
| Earnings on Investments  | 3,510                     |                        | 6,708                     | 10,218                         |
| Total Operating Cash Receipts  | <u>972,100</u>            | <u>8,503</u>           | <u>1,005,893</u>          | <u>1,986,496</u>               |
| <b>Operating Cash Disbursements:</b>   |                           |                        |                           |                                |
| Personal Services  | 262,775                   | 25,693                 |                           | 288,468                        |
| Security of Persons & Property   |                           |                        | 64,401                    | 64,401                         |
| Contractual Services   | 471,061                   |                        |                           | 471,061                        |
| Supplies and Materials   | 45,641                    |                        |                           | 45,641                         |
| Employee Fringe Benefits   | 1,318                     |                        |                           | 1,318                          |
| General Government   |                           |                        | 45,333                    | 45,333                         |
| Total Operating Cash Disbursements   | <u>780,795</u>            | <u>25,693</u>          | <u>109,734</u>            | <u>916,222</u>                 |
| Operating Income/(Loss)  | <u>191,305</u>            | <u>(17,190)</u>        | <u>896,159</u>            | <u>1,070,274</u>               |
| <b>Non-Operating Cash Disbursements:</b>   |                           |                        |                           |                                |
| Redemption of Principal  | 154,528                   |                        |                           | 154,528                        |
| Interest and Other Fiscal Charges  | 28,000                    |                        |                           | 28,000                         |
| Total Non-Operating Cash Disbursements   | <u>182,528</u>            | <u>0</u>               | <u>0</u>                  | <u>182,528</u>                 |
| Excess of Receipts Over/(Under) Disbursements<br>Before Interfund Transfers and Advances | 8,777                     | (17,190)               | 896,159                   | 887,746                        |
| Transfers-In   |                           |                        | 65,000                    | 65,000                         |
| Transfers-Out  |                           |                        | (835,000)                 | (835,000)                      |
| Net Receipts Over/(Under) Disbursements  | 8,777                     | (17,190)               | 126,159                   | 117,746                        |
| Fund Cash Balances, January 1  | <u>522,967</u>            | <u>60,740</u>          | <u>876,336</u>            | <u>1,460,043</u>               |
| <b>Fund Cash Balances, December 31</b>   | <b><u>\$531,744</u></b>   | <b><u>\$43,550</u></b> | <b><u>\$1,002,495</u></b> | <b><u>\$1,577,789</u></b>      |

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

**VILLAGE OF MC DONALD  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

|  | <b>Governmental Fund Types</b> |                            |                         |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
|  | <b>General</b>                 | <b>Special<br/>Revenue</b> | <b>Debt<br/>Service</b> | <b>Capital<br/>Projects</b> |   |
| <b>Cash Receipts:</b>  |                                |                            |                         |                             |   |
| Property and Local Taxes   | \$144,376                      | \$0                        |                         |                             | \$144,376                               |
| Intergovernmental  | 114,303                        | 234,016                    |                         |                             | 348,319                                 |
| Charges for Services   | 16,436                         | 54,759                     |                         |                             | 71,195                                  |
| Fines, Licenses and Permits  | 29,701                         | 5,371                      |                         |                             | 35,072                                  |
| Earnings on Investments  | 54,255                         | 2,415                      |                         | \$3,245                     | 59,915                                  |
| Miscellaneous  | 36,520                         | 2,529                      |                         | 20,280                      | 59,329                                  |
| <b>Total Cash Receipts</b>   | <b>395,591</b>                 | <b>299,090</b>             | <b>0</b>                | <b>23,525</b>               | <b>718,206</b>                          |
| <b>Cash Disbursements:</b>   |                                |                            |                         |                             |   |
| Current:   |                                |                            |                         |                             |   |
| Security of Persons and Property   | 380,412                        | 69,205                     |                         |                             | 449,617                                 |
| Public Health Services   | 6,000                          |                            |                         |                             | 6,000                                   |
| Leisure Time Activities  | 16,428                         |                            |                         |                             | 16,428                                  |
| Community Environment  | 2,698                          |                            |                         |                             | 2,698                                   |
| Basic Utility Service  | 117,000                        |                            |                         |                             | 117,000                                 |
| Transportation   | 1,100                          | 189,548                    |                         |                             | 190,648                                 |
| General Government   | 394,074                        | 10,404                     |                         |                             | 404,478                                 |
| Debt Service:  |                                |                            |                         |                             |   |
| Redemption of Principal  | 3,922                          |                            | 63,207                  |                             | 67,129                                  |
| Interest and Fiscal Charges  |                                |                            | 4,800                   |                             | 4,800                                   |
| Capital Outlay   |                                | 36,164                     |                         | 227,590                     | 263,754                                 |
| <b>Total Cash Disbursements</b>  | <b>921,634</b>                 | <b>305,321</b>             | <b>68,007</b>           | <b>227,590</b>              | <b>1,522,552</b>                        |
| Total Receipts Over/(Under) Disbursements  | (526,043)                      | (6,231)                    | (68,007)                | (204,065)                   | (804,346)                               |
| <b>Other Financing Receipts / (Disbursements):</b>   |                                |                            |                         |                             |   |
| Transfers-In   | 514,175                        | 33,000                     | 85,000                  | 100,000                     | 732,175                                 |
| Other Financing Sources  |                                | 9                          |                         |                             | 9                                       |
| Transfers-Out  |                                | (12,953)                   |                         | (1,222)                     | (14,175)                                |
| <b>Total Other Financing Receipts / (Disbursements)</b>  | <b>514,175</b>                 | <b>20,056</b>              | <b>85,000</b>           | <b>98,778</b>               | <b>718,009</b>                          |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | (11,868)                       | 13,825                     | 16,993                  | (105,287)                   | (86,337)                                |
| Fund Cash Balances, January 1  | 49,446                         | 167,496                    | 30,319                  | 112,987                     | 360,248                                 |
| <b>Fund Cash Balances, December 31</b>   | <b>\$37,578</b>                | <b>\$181,321</b>           | <b>\$47,312</b>         | <b>\$7,700</b>              | <b>\$273,911</b>                        |

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

**VILLAGE OF MC DONALD  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

|  | Proprietary<br>Fund Types |                        | Fiduciary<br>Fund Types | Totals<br>(Memorandum<br>Only) |
|--|---------------------------|------------------------|-------------------------|--------------------------------|
|  | Enterprise                | Internal<br>Service    | Agency                  |                                |
| <b>Operating Cash Receipts:</b>  |                           |                        |                         |                                |
| Charges for Services   | \$938,827                 | \$10,121               |                         | \$948,948                      |
| Property and Local Taxes   |                           |                        | \$12,166                | 12,166                         |
| Municipal Income Tax   |                           |                        | 961,272                 | 961,272                        |
| Fines, Licenses and Permits  | 6,053                     |                        | 38,230                  | 44,283                         |
| Earnings on Investments  |                           |                        | 5,991                   | 5,991                          |
| Miscellaneous  | 6,432                     |                        | 830                     | 7,262                          |
| Total Operating Cash Receipts  | <u>951,312</u>            | <u>10,121</u>          | <u>1,018,489</u>        | <u>1,979,922</u>               |
| <b>Operating Cash Disbursements:</b>   |                           |                        |                         |                                |
| Personal Services  | 245,357                   | 23,845                 |                         | 269,202                        |
| Security of Persons & Property   |                           |                        | 52,642                  | 52,642                         |
| Contractual Services   | 494,740                   |                        |                         | 494,740                        |
| Supplies and Materials   | 34,484                    |                        |                         | 34,484                         |
| General Government   |                           |                        | 38,230                  | 38,230                         |
| Total Operating Cash Disbursements   | <u>774,581</u>            | <u>23,845</u>          | <u>90,872</u>           | <u>889,298</u>                 |
| Operating Income/(Loss)  | <u>176,731</u>            | <u>(13,724)</u>        | <u>927,617</u>          | <u>1,090,624</u>               |
| <b>Non-Operating Cash Disbursements:</b>   |                           |                        |                         |                                |
| Capital Outlay   | 72,522                    |                        |                         | 72,522                         |
| Redemption of Principal  | 182,653                   |                        |                         | 182,653                        |
| Interest and Other Fiscal Charges  | 41,455                    |                        |                         | 41,455                         |
| Total Non-Operating Cash Disbursements   | <u>296,630</u>            | <u>0</u>               | <u>0</u>                | <u>296,630</u>                 |
| Excess of Receipts Over/(Under) Disbursements<br>Before Interfund Transfers and Advances | (119,899)                 | (13,724)               | 927,617                 | 793,994                        |
| Transfers-In   | 40,000                    |                        | 50,000                  | 90,000                         |
| Transfers-Out  | (40,000)                  |                        | (768,000)               | (808,000)                      |
| Net Receipts Over/(Under) Disbursements  | (119,899)                 | (13,724)               | 209,617                 | 75,994                         |
| Fund Cash Balances, January 1  | <u>642,866</u>            | <u>74,464</u>          | <u>666,719</u>          | <u>1,384,049</u>               |
| <b>Fund Cash Balances, December 31</b>   | <b><u>\$522,967</u></b>   | <b><u>\$60,740</u></b> | <b><u>\$876,336</u></b> | <b><u>\$1,460,043</u></b>      |

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

**VILLAGE OF MC DONALD  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008, 2007, AND 2006**

**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 McDonald, Trumbull County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police services, and fire services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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 MC DONALD  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008, 2007, AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**3. Debt Service Fund**

This fund accounts for resources the Village accumulates to pay bond and note debt.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Improvement Fund – This fund receives local income tax proceeds to finance capital improvements to Village property.

**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.

**6. Internal Service Fund**

This fund accounts for services provided by one department to other departments. The Village had the following Internal Service Fund:

Self-funded Insurance Medical Fund – This fund receives insurance premium payments from other funds to pay medical claims of employees enrolled in the health insurance plan.

**7. Fiduciary Funds (Agency Funds)**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Agency Funds.

Income Tax Fund – Revenues are received through the collection of a two-percent tax. The tax revenue is transferred to other funds and utilized to meet the obligations of these funds.

Police and Fire Pension Fund – Revenues are received through real estate taxes designated for the payment of Police and Fire Pension obligations.



**VILLAGE OF MC DONALD  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008, 2007, AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Mayor's Court – Receives and disburses fines and court costs collected by the Mayor's Court. This activity is appended to and reported in the financial statements.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not encumber all commitments required by Ohio law..

A summary of 2008, 2007, and 2006 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF MC DONALD  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008, 2007, AND 2006  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

|                                | 2008                      | 2007                      | 2006                      |
|--------------------------------|---------------------------|---------------------------|---------------------------|
| Demand deposits                | \$1,693,873               | (\$41,861)                | (\$20,963)                |
| Certificates of deposit        | 0                         | 798,784                   | 745,536                   |
| Savings account                | 0                         | 891,572                   | 744,026                   |
| Total deposits                 | <u>1,693,873</u>          | <u>1,648,495</u>          | <u>1,468,599</u>          |
| STAR Ohio                      | 287,459                   | 279,208                   | 265,355                   |
| Total investments              | <u>287,459</u>            | <u>279,208</u>            | <u>265,355</u>            |
| Total deposits and investments | <u><u>\$1,981,332</u></u> | <u><u>\$1,927,703</u></u> | <u><u>\$1,733,954</u></u> |

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

**Investments:** Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2008, 2007, and 2006 follows:

2008 Budgeted vs. Actual Receipts

| Fund Type        | Budgeted<br>Receipts      | Actual<br>Receipts        | Variance                  |
|------------------|---------------------------|---------------------------|---------------------------|
| General          | \$988,681                 | \$1,014,087               | \$25,406                  |
| Special Revenue  | 257,000                   | 252,081                   | (4,919)                   |
| Debt Service     | 75,000                    | 75,000                    | 0                         |
| Capital Projects | 260,000                   | 206,501                   | (53,499)                  |
| Enterprise       | 1,242,000                 | 1,085,741                 | (156,259)                 |
| Internal Service | 25,000                    | 7,463                     | (17,537)                  |
| Fiduciary        | 1,029,639                 | 1,086,710                 | 57,071                    |
| Total            | <u><u>\$3,877,320</u></u> | <u><u>\$3,727,583</u></u> | <u><u>(\$149,737)</u></u> |

2008 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type        | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance                |
|------------------|----------------------------|---------------------------|-------------------------|
| General          | \$1,092,131                | \$1,069,188               | \$22,943                |
| Special Revenue  | 331,930                    | 283,697                   | 48,233                  |
| Debt Service     | 94,200                     | 94,122                    | 78                      |
| Capital Projects | 195,500                    | 144,689                   | 50,811                  |
| Enterprise       | 1,271,208                  | 1,163,504                 | 107,704                 |
| Internal Service | 25,900                     | 25,262                    | 638                     |
| Fiduciary        | 1,031,800                  | 893,892                   | 137,908                 |
| Total            | <u><u>\$4,042,669</u></u>  | <u><u>\$3,674,354</u></u> | <u><u>\$368,315</u></u> |

**VILLAGE OF MC DONALD  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008, 2007, AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY – (Continued)**

2007 Budgeted vs. Actual Receipts

| Fund Type        | Budgeted<br>Receipts | Actual<br>Receipts | Variance          |
|------------------|----------------------|--------------------|-------------------|
| General          | \$1,153,427          | \$1,134,299        | (\$19,128)        |
| Special Revenue  | 290,000              | 531,379            | 241,379           |
| Debt Service     | 70,000               | 0                  | (70,000)          |
| Capital Projects | 343,000              | 314,060            | (28,940)          |
| Enterprise       | 1,142,000            | 972,100            | (169,900)         |
| Internal Service | 15,000               | 8,503              | (6,497)           |
| Fiduciary        | 1,069,689            | 1,070,893          | 1,204             |
| Total            | <u>\$4,083,116</u>   | <u>\$4,031,234</u> | <u>(\$51,882)</u> |

2007 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type        | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance         |
|------------------|----------------------------|---------------------------|------------------|
| General          | \$1,122,811                | \$1,070,696               | \$52,115         |
| Special Revenue  | 570,906                    | 534,801                   | 36,105           |
| Debt Service     | 0                          | 0                         | 0                |
| Capital Projects | 347,500                    | 298,238                   | 49,262           |
| Enterprise       | 1,130,928                  | 963,323                   | 167,605          |
| Internal Service | 25,900                     | 25,693                    | 207              |
| Fiduciary        | 946,800                    | 944,734                   | 2,066            |
| Total            | <u>\$4,144,845</u>         | <u>\$3,837,485</u>        | <u>\$307,360</u> |

2006 Budgeted vs. Actual Receipts

| Fund Type        | Budgeted<br>Receipts | Actual<br>Receipts | Variance         |
|------------------|----------------------|--------------------|------------------|
| General          | \$24,264             | \$909,766          | \$885,502        |
| Special Revenue  | 280,000              | 332,099            | 52,099           |
| Debt Service     | 120,000              | 85,000             | (35,000)         |
| Capital Projects | 250,000              | 123,525            | (126,475)        |
| Enterprise       | 1,194,000            | 991,312            | (202,688)        |
| Internal Service | 10,000               | 10,121             | 121              |
| Fiduciary        | 1,042,000            | 1,068,489          | 26,489           |
| Total            | <u>\$2,920,264</u>   | <u>\$3,520,312</u> | <u>\$600,048</u> |

**VILLAGE OF MC DONALD  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008, 2007, AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY – (Continued)**

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$956,236                  | \$921,634                 | \$34,602  |
| Special Revenue                                       | 327,720                    | 318,274                   | 9,446     |
| Debt Service  | 74,900                     | 68,007                    | 6,893     |
| Capital Projects                                      | 228,900                    | 228,812                   | 88        |
| Enterprise  | 1,297,283                  | 1,111,211                 | 186,072   |
| Internal Service                                      | 27,900                     | 23,845                    | 4,055     |
| Fiduciary   | 1,058,800                  | 858,872                   | 199,928   |
| Total   | \$3,971,739                | \$3,530,655               | \$441,084 |

Contrary to Ohio law, the Village did not certify the availability of funds prior to incurring obligations or commitments.

**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.

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 2 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, 2008 was as follows:

|                                       | Principal | Interest Rate |
|---------------------------------------|-----------|---------------|
| Ohio Water Development Authority Loan | \$405,287 | 5%            |
| OPWC Loans                            | 159,914   | 0%            |
| Total                                 | \$565,201 |               |

**VILLAGE OF MC DONALD  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008, 2007, AND 2006  
(Continued)**

**6. DEBT – (Continued)**

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project. The OWDA approved up to \$1,846,946 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$73,575, including interest, over 20 years. The scheduled payment amount below assumes that \$1,411,000 will be borrowed. Water and sewer user fees collateralize the loan.

The Ohio Public Works Commission (OPWC) Loans related to the sewer plant expansion project and the Waste Water Treatment Plant – Catch Basin. The OPWC has approved up to \$707,586 in interest free loans to the Village for these projects. These loans will be repaid in semiannual installments of \$20,379 over 20 years. Water and sewer user fees collateralize the loans.

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

| Year ending December 31: | <u>OPWC Loans</u> | <u>OWDA Loan</u> |
|--------------------------|-------------------|------------------|
| 2009                     | \$35,378          | \$147,150        |
| 2010                     | 35,378            | 147,150          |
| 2011                     | 35,378            | 147,150          |
| 2012                     | 5,378             |                  |
| 2013                     | 5,378             |                  |
| 2014-2019                | 26,890            |                  |
| 2020-2022                | 16,134            |                  |
| Total                    | <u>\$159,914</u>  | <u>\$441,450</u> |

**7. 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 2008, 2007, and 2006, OP&F participants contributed 10% of their wages and the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2008, 2007, and 2006, OPERS members contributed 10%, 9.5%, and 9%, respectively, of their gross salaries and the Village contributed amounts equaling 14%, 13.85%, and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# Mary Taylor, CPA

Auditor of State

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

Village of Mc Donald  
Trumbull County  
451 Ohio Avenue  
McDonald, Ohio 44437

To the Village Council:

We have audited the financial statements of the Village of Mc Donald, Trumbull County, (the Village) as of and for the years ended December 31, 2008, 2007, and 2006 and have issued our report thereon dated November 13, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated November 13, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated November 13, 2009.

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

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



**Mary Taylor, CPA**  
Auditor of State

November 13, 2009



VILLAGE OF MC DONALD  
TRUMBULL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008, 2007 AND 2006

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

FINDING NUMBER 2008-001

**Noncompliance Finding**

**Certification of Availability of Funds**

**Ohio Rev. Code Section 5705.41(D)(1)** states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. 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 or orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**Then and Now Certificate:** If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free of any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the "then and now" certificate, to approve payment by resolution or ordinance.

Amounts of less than three thousand dollars (\$3,000) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

**Blanket Certificate:** Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**Super Blanket Certificate:** The taxing authority may also make expenditures and contracts for any amount from a specific line item appropriation account in a specific fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation account.

**FINDING NUMBER 2008-001  
(Continued)**

The Village Fiscal Officer did not always obtain certification of available funds prior to incurring obligations and there was no evidence of a “then and now” certificate being used by the Fiscal Officer. Of sixty (60) non-payroll expenditures tested for the years ending December 31, 2008, 2007, and 2006, we noted that in fifty seven (57) instances, proper certification was not obtained. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification in the form of purchase orders or “blanket” purchase orders is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over the disbursement process and reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to a commitment of an obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation

**Officials’ Response:**

The purchasing procedures of the Village have been in place for a very long time. Changing those procedures by utilizing the exceptions noted will require a fundamental difference in how the Village is run. We will examine this citation and work with the Auditor of State’s Office to see if there is any method that will allow compliance with 5705.41(D) and still fit within the operations of the Village. The Village is putting new programming into place and will attempt to utilize more blanket and super blanket purchase orders in the future.

**VILLAGE OF MC DONALD  
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008, 2007 AND 2006**

| <b>Finding Number</b> | <b>Finding Summary</b>  | <b>Fully Corrected?</b> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i> |
|-----------------------|---|-------------------------|--|
| 2005-001              | Violation of Ohio Rev. Code Section 5705.41(D) for failure to certify available funds prior to incurring obligations or expenditure of money. | No                      | Repeat as finding 2008-001   |
| 2005-002              | Violation of 733.43 for failure of the Village Treasurer to maintain a record of moneys received and disbursed by the Village.                | Yes                     | Finding No Longer Valid  |
| 2005-003              | Violation of Ohio Rev. Code 5705.36 the Village did not submit fund balances.   | Partially               | Reported in the Management Letter  |





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MCDONALD**

**TRUMBULL 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  
DECEMBER 22, 2009**