



Dave Yost • 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 Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2010.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2009.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings .....	23

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# Dave Yost • Auditor of State

Village of McDonald  
Trumbull County  
451 Ohio Avenue  
McDonald, 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

April 30, 2011

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of McDonald, Trumbull County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010, or its changes in financial position 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 McDonald, Trumbull County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**Dave Yost**  
Auditor of State

April 30, 2011



VILLAGE OF MCDONALD  
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, 2010

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$132,307	\$0	\$0	\$0	\$132,307
Intergovernmental	152,126	179,841			331,967
Charges for Services	23,767	53,270			77,037
Fines, Licenses and Permits	47,896	3,166			51,062
Earnings on Investments	2,059	130		66	2,255
Miscellaneous	31,373	1,086			32,459
<b>Total Cash Receipts</b>	<b>389,528</b>	<b>237,493</b>	<b>0</b>	<b>66</b>	<b>627,087</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	437,725	72,546			510,271
Public Health Services	2,913				2,913
Leisure Time Activities	21,104				21,104
Community Environment	2,796				2,796
Basic Utility Service	149,799				149,799
Transportation	1,100	269,904			271,004
General Government	444,828	1,636			446,464
Capital Outlay				242,118	242,118
<b>Total Cash Disbursements</b>	<b>1,060,265</b>	<b>344,086</b>	<b>0</b>	<b>242,118</b>	<b>1,646,469</b>
<b>Total Receipts (Under) Disbursements</b>	<b>(670,737)</b>	<b>(106,593)</b>	<b>0</b>	<b>(242,052)</b>	<b>(1,019,382)</b>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In	575,000	120,000	0	210,000	905,000
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>575,000</b>	<b>120,000</b>	<b>0</b>	<b>210,000</b>	<b>905,000</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(95,737)	13,407	0	(32,052)	(114,382)
Fund Cash Balances, January 1	63,360	105,891	28,190	79,745	277,186
Fund Balance Adjustment (See Note 9)	47,046		0	0	47,046
<b>Fund Cash Balances, December 31</b>	<b>\$14,669</b>	<b>\$119,298</b>	<b>\$28,190</b>	<b>\$47,693</b>	<b>\$209,850</b>

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

VILLAGE OF MCDONALD  
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, 2010

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$1,104,594	\$8,458	\$0	\$1,113,052
Property and Other Local Taxes			\$12,152	\$12,152
Municipal Income Tax			\$859,262	\$859,262
Fines, Licenses and Permits	\$18,669		\$31,731	\$50,400
Earnings on Investments	\$65		\$120	\$185
Miscellaneous	131,116			\$131,116
Total Operating Cash Receipts	1,254,444	8,458	903,265	2,166,167
<b>Operating Cash Disbursements:</b>				
Personal Services	259,777	37,982	43,312	341,071
Contractual Services	638,890			638,890
Supplies and Materials	49,164			49,164
Other	7,704		31,730	39,434
Total Operating Cash Disbursements	955,535	37,982	75,042	1,068,559
Operating Income/(Loss)	298,909	(29,524)	828,223	1,097,608
<b>Non-Operating Cash Disbursements:</b>				
Redemption of Principal	170,344			170,344
Interest and Other Fiscal Charges	12,174			12,174
Total Non-Operating Cash Disbursements	182,518	0	0	182,518
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	116,391	(29,524)	828,223	1,280,126
Transfers-In	90,000	20,000	40,000	150,000
Transfers-Out	(90,000)		(965,000)	(1,055,000)
Net Receipts Over/(Under) Disbursements	116,391	(9,524)	(96,777)	375,126
Fund Cash Balances, January 1	524,113	23,530	938,670	1,486,313
<b>Fund Cash Balances, December 31</b>	<b>\$640,504</b>	<b>\$14,006</b>	<b>\$841,893</b>	<b>\$1,496,403</b>

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

**VILLAGE OF MCDONALD  
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, 2009**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$129,327	\$0	\$0	\$0	\$129,327
Intergovernmental	181,568	184,939		193,924	560,431
Charges for Services	17,898	27,703			45,601
Fines, Licenses and Permits	48,980	3,868			52,848
Earnings on Investments	6,087	421		202	6,710
Miscellaneous	26,323	281		394	26,998
<b>Total Cash Receipts</b>	<b>410,183</b>	<b>217,212</b>	<b>0</b>	<b>194,520</b>	<b>821,915</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	431,023	61,081			492,104
Public Health Services	2,988				2,988
Leisure Time Activities	20,873				20,873
Community Environment	1,335				1,335
Basic Utility Service	134,993				134,993
Transportation	1,050	240,558			241,608
General Government	404,017	1,365			405,382
Capital Outlay				600,109	600,109
<b>Total Cash Disbursements</b>	<b>996,279</b>	<b>303,004</b>	<b>0</b>	<b>600,109</b>	<b>1,899,392</b>
<b>Total Receipts (Under) Disbursements</b>	<b>(586,096)</b>	<b>(85,792)</b>	<b>0</b>	<b>(405,589)</b>	<b>(1,077,477)</b>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In	615,000	45,000		400,000	1,060,000
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>615,000</b>	<b>45,000</b>	<b>0</b>	<b>400,000</b>	<b>1,060,000</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>28,904</b>	<b>(40,792)</b>	<b>0</b>	<b>(5,589)</b>	<b>(17,477)</b>
Fund Cash Balances, January 1	46,080	146,683	28,190	85,334	306,287
Fund Balance Adjustment (See Note 9)	(11,624)	0	0	0	(11,624)
<b>Fund Cash Balances, December 31</b>	<b>\$63,360</b>	<b>\$105,891</b>	<b>\$28,190</b>	<b>\$79,745</b>	<b>\$277,186</b>

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

**VILLAGE OF MCDONALD  
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, 2009**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$1,048,336	\$9,257	\$0	\$1,057,593
Property and Other Local Taxes			\$11,838	\$11,838
Municipal Income Tax			\$873,296	\$873,296
Fines, Licenses and Permits	\$13,269		\$38,903	52,172
Earnings on Investment	\$195		\$373	568
Miscellaneous	124,142			124,142
	<hr/>			
Total Operating Cash Receipts	1,185,942	9,257	924,410	2,119,609
	<hr/>			
<b>Operating Cash Disbursements:</b>				
Personal Services	270,545	41,478	52,150	364,173
Contractual Services	614,211			614,211
Supplies and Materials	49,712			49,712
Other	4,201		38,903	43,104
	<hr/>			
Total Operating Cash Disbursements	938,669	41,478	91,053	1,071,200
	<hr/>			
Operating Income/(Loss)	247,273	(32,221)	833,357	1,048,409
	<hr/>			
<b>Non-Operating Cash Disbursements:</b>				
Redemption of Principal	152,990			152,990
Interest and Other Fiscal Charges	24,151			24,151
	<hr/>			
Total Non-Operating Cash Disbursements	177,141	0	0	177,141
	<hr/>			
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	70,132	(32,221)	833,357	1,225,550
	<hr/>			
Transfers-In	15,000	30,000	40,000	85,000
Transfers-Out	(15,000)		(1,130,000)	(1,145,000)
	<hr/>			
Net Receipts Over/(Under) Disbursements	70,132	(2,221)	(256,643)	165,550
	<hr/>			
Fund Cash Balances, January 1	453,981	25,751	1,195,313	1,675,045
	<hr/>			
<b>Fund Cash Balances, December 31</b>	<b>\$524,113</b>	<b>\$23,530</b>	<b>\$938,670</b>	<b>\$1,486,313</b>
	<hr/>			

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

**VILLAGE OF MCDONALD  
TRUMBULL COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of 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 service.

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.

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 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 MCDONALD  
TRUMBULL COUNTY**

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

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

**3. Debt Service Fund**

This fund accounts for resources the Village accumulates to pay loan 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 funds:

OPWC Street Paving Fund – This fund receives proceeds from Ohio Public Works Commission and tax revenues to pave the streets of the Village.

**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 of the government unit. 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 MCDONALD  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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 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 2010 and 2009 budgetary activity appears in Note 3.

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

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

**G. Accumulated Leave**

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

**VILLAGE OF MCDONALD  
TRUMBULL COUNTY**

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

	2010	2009
Demand deposits	\$39,195	\$84,274
Money Market	905,421	1,390,972
Total deposits	944,616	1,475,246
STAR Ohio	18,480	288,253
Huntington Private Investment	743,157	0
Total investments	761,637	288,253
Total deposits and investments	\$1,706,253	\$1,763,499

**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, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,124,918	\$964,527	(\$160,391)
Special Revenue	312,500	357,493	44,993
Debt Service	0	0	0
Capital Projects	250,000	210,066	(39,934)
Enterprise	1,312,000	1,344,443	32,443
Internal Service	30,000	28,458	(1,542)
Total	\$3,029,418	\$2,904,987	(\$124,431)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,150,031	\$1,060,266	\$89,765
Special Revenue	363,970	344,087	19,883
Debt Service	0	0	0
Capital Projects	285,500	242,118	43,382
Enterprise	1,312,668	1,228,053	84,615
Internal Service	50,900	39,600	11,300
Total	\$3,163,069	\$2,914,124	\$248,945



**VILLAGE OF MCDONALD  
TRUMBULL COUNTY**

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

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

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,023,665	\$1,025,183	\$1,518
Special Revenue	284,000	262,212	(21,788)
Debt Service	0	0	0
Capital Projects	400,000	594,520	194,520
Enterprise	1,220,000	1,200,942	(19,058)
Internal Service	48,000	39,257	(8,743)
Total	\$2,975,665	\$3,122,114	\$146,449

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,090,906	\$996,279	\$94,627
Special Revenue	343,605	303,005	40,600
Debt Service	0	0	0
Capital Projects	630,500	600,109	30,391
Enterprise	1,220,978	1,130,810	90,168
Internal Service	52,990	41,478	11,512
Total	\$3,338,979	\$3,071,681	\$267,298

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.

**VILLAGE OF MCDONALD  
TRUMBULL COUNTY**

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

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of two 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 quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
OPWC Loans	\$94,536	0%
Ohio Water Development Authority Loan	141,383	5%
Total	\$235,919	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,846,946 in loans to the Village for this project in 1992. The Village will repay the loans in semiannual installments of \$73,575, including interest, over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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 loan.

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

Year ending December 31:	OPWC Loans	OWDA Loan
2011	\$35,378	\$147,150
2012	5,378	
2013	5,378	
2014	5,378	
2015	5,378	
2016-2020	26,890	
2021-2022	10,756	
Total	\$94,536	\$147,150

**VILLAGE OF MCDONALD  
TRUMBULL COUNTY**

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

**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 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**9. FUND BALANCE ADJUSTMENTS**

During 2009 and 2010, the Village's fund balances were not properly reconciled to their bank balances. In addition, the Village's fund balances did not properly reconcile to the 2008 ending audited fund balances. As a result, the Village's general fund fund balance had to be reduced in 2009 by \$11,624 and increased in 2010 by \$47,046, in order for the Village's financial statement balances to agree to their bank balances. The Village's financial statements have been adjusted accordingly. In addition, the Village has posted an adjustment of \$35,377 to their general fund to bring their accounting system into balance with their bank balances.

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of McDonald, Trumbull County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected. We consider findings 2010-02 and 2010-03 described in the accompanying schedule of findings to be material weaknesses.

### **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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 through 2010-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 30, 2011.

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

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

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

**Dave Yost**  
Auditor of State

April 30, 2011

**VILLAGE OF MCDONALD  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**1. Certification of Availability of Funds**

<i>Finding Number</i>	2010-01
-----------------------	---------

NONCOMPLIANCE

**Ohio Revised Code Section 5705.41(D)** states, in pertinent part, no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract 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.

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" at the time that he is completing his certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, 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 such certificate, to approve payment by resolution. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing authority.

Amounts of less than three thousand dollars (\$3,000) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

Blanket Certificate: Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution 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 Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predicable 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 2010 – 01  
(Continued)**

The Village Clerk did not obtain certification of available funds prior to incurring obligations and there was no evidence of a “Then and Now” certificate being used by the Clerk. None of the fifty expenditures that we reviewed had proper certification. 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 Clerk certify 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 Clerk should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation

**Official’s Response:** The Clerk will sign purchase orders and initial Then and Now certificates when appropriate.

**2. Failure to Perform Duties- Treasurer**

<i>Finding Number</i>	2010-02
-----------------------	---------

NONCOMPLIANCE/MATERIAL WEAKNESS

**Ohio Revised Code § 733.43** states that the Treasurer must keep an accurate account of:

(A) All money received by him, showing the amount thereof, the time received, from whom, and on what account received;

(B) All disbursements made by him, showing the amount thereof, the time made, to whom, and on what account paid.

He shall so arrange his books that the amount received and paid on account of separate funds, or specified appropriations, shall be exhibited in separate accounts. In addition to the ordinary duties of such treasurer, he shall have such powers and perform such duties as are required by any ordinance of the Village, not inconsistent with Title VII of the Revised Code, and not incompatible with the nature of his office.

In addition, **Ohio Revised Code §733.44** states that the Village’s Treasurer shall demand and receive, from the County Treasurer, taxes levied and assessments made and certified to the county auditor by the Village’s Council, moneys, from persons authorized to collect or required to pay them, accruing to the village from any judgments, fines, penalties, forfeitures, licenses, and costs taxed in mayor’s court, and debts due the municipal corporation. Such funds shall be disbursed by the treasurer on the order of any person authorized by law or ordinance to issue orders therefore.



**FINDING NUMBER 2010 - 02  
 (Continued)**

The books must provide separate accounts for each fund and appropriation. The Treasurer and Clerk should maintain the same accounts, since they must be reconciled. **Ohio Revised Code §733.45** states that the Treasurer shall settle and account with the Village Council, quarterly, and at any other time which the Village Council directs by resolution or ordinance. At the first January meeting of Village Council each year, the treasurer shall report on the Village financial condition, including amount of receipts, disbursements and accounts. The balance of each fund shall be reported. The Treasurer shall also keep a treasury of investment account documenting the investment of treasury fund.

The Treasurer submitted no financial reports to Council for their review during the audit period. He gave oral presentations at council meetings; however, he did not present annual written financial reports to Council detailing the financial condition of the Village. In addition, the Treasurer did not reconcile his books with the Village Clerk during the period under audit, which caused the Village to be unbalanced at the end of December 31, 2009 by (\$11,624) and 2010 by \$40,046. As a result, the Village's general fund was increased by \$35,377 to make the Village's fund balances equal their bank balances. This adjustment has been posted to the Village's accounting system and is reflected in the financial statements.

We recommend that the Treasurer submit annual written reports to council detailing the financial condition of the Village, additionally we recommend that the Treasurer prepare and present monthly bank reconciliations to council for their review and approval.

**Official's Response:** The Treasurer will comply with ORC 733.43 in the future by reporting of Village funds to Council.

**3. Failure of the Fire Chief to Perform Duties**

<i>Finding Number</i>	2010-03
-----------------------	---------

NONCOMPLIANCE/MATERIAL WEAKNESS

For the fiscal years ending December 31, 2009 and 2010, we reviewed the record-keeping procedures of the Village's emergency medical services (EMS) receipts. Our review of these activities and their collection procedures noted the following weaknesses:

1. The fire chief did not provide timely billing of EMS runs and in some cases did not bill EMS runs at all for medical reimbursement, through the third party administrator, Quest AdvantEdge for the year ending December 31, 2009. Thereby, not fulfilling his obligation as fire chief per ordinance 2985-06, which states that he shall be in charge and be responsible for the personnel, equipment and operation of the rescue squad. This amounted to a total of \$36,396.40 in unbilled claims for the year ended December 31, 2009. Alternative procedures were performed to test completeness and accuracy over the receipts. For 2009, 100% of EMS receipts were tested utilizing these alternative procedures for \$27,703 collected and the amount not billed and uncollected totaling \$36,396.40.
2. The fire chief did not keep a written record of the receipts that were received during the audit period. The fire chief did keep copies of the checks received in fiscal year 2010, but did not keep a chronological receipt record of all receipts for completeness and accuracy for the years ended December 31 2009 and December 31, 2010.

**FINDING NUMBER 2010 - 03  
(Continued)**

3. The fire chief did not present payments to the treasurer in a timely fashion for deposit, violating Ohio Revised Code section 9.38, which requires that all moneys collected under the color of office, or moneys collected by a public officer or employee shall be deposited with the fiscal officer of the public office or properly designated depository once every twenty-four hours. Checks received for payment were sometimes held for a period of months, for the year ending December 31, 2009. For 2009, 84% of payments presented for deposit were not done so in a timely fashion. A new fire chief was appointed to the position beginning in the year of 2010.
4. The fire chief did not submit timely invoices for payment of bills of the fire department to the Village Clerk for timely payment of billings. Sometimes letting bills go to collections prior to submitting them to the clerk of the village for payment, for the year ending December 31, 2009. For six out the twelve months tested, the payment of billing statements was made later than 30 days.

Receipts are received in various formats (i.e., checks and cash) therefore, we recommend that the fire chief prepare a receipt listing for all receipts and provide customers with a duplicate receipt. We recommend that these receipts shall be deposited on a timely basis, according to Ohio Revised Code 9.38. We recommend that all invoices for payment be submitted to the Village Clerk on a timely basis for payment. We additionally recommend that all billable runs be billed through the Village's third party administrator Quest AdvantEdge on a timely basis for medical reimbursement.

**Official's Response:** The Village will explore all possible avenues to capture whatever funds were lost through the negligence of ambulance billings.

VILLAGE OF MCDONALD  
TRUMBULL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2010

<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; <b><i>Explain</i></b>
2008-001	ORC 5705.41(D)(1)	No	Repeated as Finding 2010-01

**This Page is Intentionally Left Blank.**



# Dave Yost • 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  
JUNE 9, 2011