

***VILLAGE OF MCDONALD***

***Trumbull County***

**Audit Report**

**For the Years Ended December 31, 2016 and 2015**







# Dave Yost • Auditor of State

Village Council  
Village of McDonald  
451 Ohio Avenue  
McDonald, OH 44437

We have reviewed the *Independent Auditor's Report* of the Village of McDonald, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of McDonald is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

September 27, 2017

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*Village of McDonald*  
*Trumbull County*  
*For the Years Ended December 31, 2016 and 2015*

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**INDEPENDENT AUDITOR'S REPORT**

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

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Village of McDonald, Trumbull County, (the Village) as of and for the years ended December 31, 2016 and 2015.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

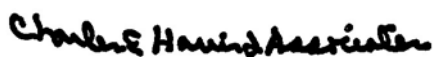
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of McDonald, Trumbull County as of December 31 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
June 24, 2017



**Village of McDonald**  
**Trumbull County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2016*

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 126,584	\$ 11,070	\$ -	\$ -	\$ 137,654
Municipal Income Tax	1,032,016	-	-	-	1,032,016
Intergovernmental	72,408	189,082	-	97,098	358,588
Charges for Services	-	32,229	-	-	32,229
Fines, Licenses and Permits	56,925	1,820	-	-	58,745
Earnings on Investments	10,980	709	-	30	11,719
Miscellaneous	29,293	-	-	-	29,293
<i>Total Cash Receipts</i>	<u>1,328,206</u>	<u>234,910</u>	<u>-</u>	<u>97,128</u>	<u>1,660,244</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	473,394	115,747	-	-	589,141
Public Health Services	5,536	-	-	-	5,536
Leisure Time Activities	34,507	-	-	-	34,507
Community Environment	6,498	-	-	-	6,498
Basic Utility Services	153,043	-	-	-	153,043
Transportation	1,750	221,549	-	-	223,299
General Government	408,032	1,629	-	-	409,661
Capital Outlay	-	-	-	207,142	207,142
<i>Total Cash Disbursements</i>	<u>1,082,760</u>	<u>338,925</u>	<u>-</u>	<u>207,142</u>	<u>1,628,827</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	245,446	(104,015)	-	(110,014)	31,417
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	-	100,000	-	125,000	225,000
Transfers Out	(280,000)	-	-	-	(280,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(280,000)</u>	<u>100,000</u>	<u>-</u>	<u>125,000</u>	<u>(55,000)</u>
<i>Net Change in Fund Cash Balances</i>	(34,554)	(4,015)	-	14,986	(23,583)
<i>Fund Cash Balances, January 1</i>	<u>743,804</u>	<u>225,093</u>	<u>28,190</u>	<u>46,503</u>	<u>1,043,590</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	-	221,078	-	-	221,078
Committed	-	-	-	61,489	61,489
Assigned	-	-	28,190	-	28,190
Unassigned	709,250	-	-	-	709,250
<i>Fund Cash Balances, December 31</i>	<u>\$ 709,250</u>	<u>\$ 221,078</u>	<u>\$ 28,190</u>	<u>\$ 61,489</u>	<u>\$ 1,020,007</u>

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

**Village of McDonald**  
**Trumbull County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2016*

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
<b>Operating Cash Receipts</b>				
Charges for Services	\$ 1,348,558	\$ 15,762	\$ -	\$ 1,364,320
Fines, Licenses and Permits	-	-	32,434	32,434
Miscellaneous	1,725	-	-	1,725
<i>Total Operating Cash Receipts</i>	<u>1,350,283</u>	<u>15,762</u>	<u>32,434</u>	<u>1,398,479</u>
<b>Operating Cash Disbursements</b>				
Personal Services	265,000	-	-	265,000
Employee Fringe Benefits	53,905	-	-	53,905
Contractual Services	733,825	-	-	733,825
Supplies and Materials	243,237	-	-	243,237
Claims	-	45,756	-	45,756
Other	-	-	32,434	32,434
<i>Total Operating Cash Disbursements</i>	<u>1,295,967</u>	<u>45,756</u>	<u>32,434</u>	<u>1,374,157</u>
<i>Operating Income (Loss)</i>	54,316	(29,994)	-	24,322
<b>Non-Operating Receipts (Disbursements)</b>				
Intergovernmental	45,551	-	-	45,551
Earnings on Investments	44	-	-	44
Principal Retirement	(5,379)	-	-	(5,379)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>40,216</u>	<u>-</u>	<u>-</u>	<u>40,216</u>
<i>Income (Loss) before Transfers</i>	94,532	(29,994)	-	64,538
Transfers In	-	55,000	-	55,000
<i>Net Change in Fund Cash Balances</i>	94,532	25,006	-	119,538
<i>Fund Cash Balances, January 1</i>	<u>954,917</u>	<u>45,906</u>	<u>-</u>	<u>1,000,823</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,049,449</u>	<u>\$ 70,912</u>	<u>\$ -</u>	<u>\$ 1,120,361</u>

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

**Village of McDonald**  
**Trumbull County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2015*

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 129,186	\$ 11,265	\$ -	\$ -	\$ 140,451
Municipal Income Tax	1,044,832	-	-	-	1,044,832
Intergovernmental	67,777	184,283	-	11,916	263,976
Special Assessments	349	-	-	-	349
Charges for Services	-	53,833	-	-	53,833
Fines, Licenses and Permits	50,323	1,806	-	-	52,129
Earnings on Investments	10,630	710	-	6	11,346
Miscellaneous	27,617	1,132	-	-	28,749
<i>Total Cash Receipts</i>	<u>1,330,714</u>	<u>253,029</u>	<u>-</u>	<u>11,922</u>	<u>1,595,665</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	458,259	124,333	-	-	582,592
Public Health Services	5,627	-	-	-	5,627
Leisure Time Activities	27,874	-	-	-	27,874
Community Environment	7,341	-	-	-	7,341
Basic Utility Services	153,533	-	-	-	153,533
Transportation	3,750	218,134	-	-	221,884
General Government	354,263	3,277	-	-	357,540
Capital Outlay	-	-	-	218,613	218,613
<i>Total Cash Disbursements</i>	<u>1,010,647</u>	<u>345,744</u>	<u>-</u>	<u>218,613</u>	<u>1,575,004</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	320,067	(92,715)	-	(206,691)	20,661
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	-	135,000	-	100,000	235,000
Transfers Out	(295,000)	-	-	-	(295,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(295,000)</u>	<u>135,000</u>	<u>-</u>	<u>100,000</u>	<u>(60,000)</u>
<i>Net Change in Fund Cash Balances</i>	25,067	42,285	-	(106,691)	(39,339)
<i>Fund Cash Balances, January 1</i>	<u>718,737</u>	<u>182,808</u>	<u>28,190</u>	<u>153,194</u>	<u>1,082,929</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	-	225,093	-	-	225,093
Committed	-	-	-	46,503	46,503
Assigned	-	-	28,190	-	28,190
Unassigned	743,804	-	-	-	743,804
<i>Fund Cash Balances, December 31</i>	<u>\$ 743,804</u>	<u>\$ 225,093</u>	<u>\$ 28,190</u>	<u>\$ 46,503</u>	<u>\$ 1,043,590</u>

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

**Village of McDonald**  
**Trumbull County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2015*

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
<b>Operating Cash Receipts</b>				
Charges for Services	\$ 1,267,229	\$ 6,536	\$ -	\$ 1,273,765
Fines, Licenses and Permits	-	-	24,159	24,159
Miscellaneous	839	-	-	839
<i>Total Operating Cash Receipts</i>	<u>1,268,068</u>	<u>6,536</u>	<u>24,159</u>	<u>1,298,763</u>
<b>Operating Cash Disbursements</b>				
Personal Services	279,795	-	-	279,795
Employee Fringe Benefits	57,534	-	-	57,534
Contractual Services	768,544	-	-	768,544
Supplies and Materials	153,872	-	-	153,872
Claims	-	56,037	-	56,037
Other	-	-	24,159	24,159
<i>Total Operating Cash Disbursements</i>	<u>1,259,745</u>	<u>56,037</u>	<u>24,159</u>	<u>1,339,941</u>
<i>Operating Income (Loss)</i>	8,323	(49,501)	-	(41,178)
<b>Non-Operating Receipts (Disbursements)</b>				
Principal Retirement	(5,379)	-	-	(5,379)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(5,379)</u>	<u>-</u>	<u>-</u>	<u>(5,379)</u>
<i>Income (Loss) before Transfers</i>	2,944	(49,501)	-	(46,557)
Transfers In	-	60,000	-	60,000
<i>Net Change in Fund Cash Balances</i>	2,944	10,499	-	13,443
<i>Fund Cash Balances, January 1</i>	<u>951,973</u>	<u>35,407</u>	<u>-</u>	<u>987,380</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 954,917</u>	<u>\$ 45,906</u>	<u>\$ -</u>	<u>\$ 1,000,823</u>

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

**Village of McDonald**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 1 – Reporting Entity**

The Village of McDonald, Trumbull County, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, maintenance of Village roads and bridges, park operations, water and sewer utilities, and police and fire services.

***Public Entity Risk Pool***

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

***Street Construction, Maintenance, and Repair Fund*** The street construction, maintenance and repair fund accounts for the receipt of and reports on gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

***Debt Service Funds*** These funds account for and report financial resources that are restricted to disbursements for principal and interest. The Village had the following significant Debt Service Fund:

***General Obligation Debt Service Fund*** The general obligation debt service fund accounts for the receipt of and reports on money restricted to disbursements for principal and interest payments.

**Village of McDonald**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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

**Construction Fund** The construction fund accounts for and reports the receipt of monies from grants and the notes issued by the Village for the reconstruction, repair and improvement of roads and water sewer lines.

**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** The water fund accounts for and reports on charges for services from residents to cover water service costs.

**Sewer Fund** The sewer fund accounts for and reports on charges for services from residents to cover sewer service costs.

**Internal Service Funds** These funds accounts for services provided by one department to other departments of the government unit. The Village had the following Internal Service Fund:

**Health and Welfare Fund** The health and welfare fund accounts for and reports the receipt of insurance premiums from other funds to pay medical claims of employees enrolled in the health insurance plan.

**Fiduciary Fund** Fiduciary funds include 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's agency fund accounts for Mayor's Court fine monies from traffic violations and other Mayor's Court activities.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

**Village of McDonald**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Appropriations** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

A summary of 2016 and 2015 budgetary activity appears in Note 3.

**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 U.S. Treasury Notes and U.S. Agency Notes at cost. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**Capital Assets**

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

**Accumulated Leave**

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

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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

**Village of McDonald**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget in the General Fund.

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

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

**Note 3 – Budgetary Activity**

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,265,158	\$ 1,328,206	\$ 63,048
Special Revenue	398,337	334,910	(63,427)
Capital Projects	239,000	222,128	(16,872)
Enterprise	1,457,100	1,395,878	(61,222)
Internal Service	61,000	70,762	9,762



**Village of McDonald**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

**Note 3 – Budgetary Activity (continued)**

2016 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,425,158	\$ 1,362,760	\$ 62,398
Special Revenue	391,880	338,925	52,955
Capital Projects	240,500	207,142	33,358
Enterprise	1,484,530	1,301,346	183,184
Internal Service	60,900	45,756	15,144

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,222,884	\$ 1,330,714	\$ 107,830
Special Revenue	409,458	388,029	(21,429)
Capital Projects	295,000	111,922	(183,078)
Enterprise	1,231,156	1,268,068	36,912
Internal Service	51,000	66,536	15,536

2015 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,362,518	\$ 1,305,647	\$ 56,871
Special Revenue	400,835	345,744	55,091
Capital Projects	383,000	218,613	164,387
Enterprise	1,385,730	1,265,124	120,606
Internal Service	60,900	56,037	4,863

**Village of McDonald**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 4 – 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:

	2016	2015
Demand deposits	\$ 1,422,299	\$ 1,248,093
Total deposits	1,422,299	1,248,093
STAR Ohio	18,637	18,538
U.S. Agency Notes	699,432	777,782
Total investments	718,069	796,320
Total deposits and investments	\$ 2,140,368	\$ 2,044,413

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution’s public entity deposit pool.

***Investments***

The Federal Reserve holds the Village’s U.S. Agency Notes in book-entry form in the name of the Village’s financial institution. The financial institution maintains records identifying the Village as owner of these securities.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**Note 5 – Taxes**

***Property Taxes***

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

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**Village of McDonald**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 5 – Taxes (continued)**

***Local Income Taxes***

The Village levies a municipal income tax of 2% 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. The Village contracts with the Regional Income Tax Agency (RITA) for the collection of taxes, including delinquencies and monitoring of compliance with filing requirements.

**Note 6 – Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively (the latest information available).

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**Village of McDonald**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 6 – Risk Management (continued)**

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (the latest information available).

	<b>2015</b>	<b>2014</b>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members’ Equity	\$5,531,637	\$5,887,681

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most of the Village’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

***Ohio Police and Fire Retirement System***

The Village’s full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From January 1, 2015 to June 30, 2015, OP&F participants contributed 11.50% of their wages. From July 1, 2015 to December 31, 2016, OP&F participants contributed 12.25% of their wages. During 2016 and 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages. The Village has paid all contributions required through December 31, 2016.

***Social Security***

The Village’s part time EMTs and volunteer fire fighters contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2016.

**Village of McDonald**  
*Trumbull County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 8 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits, and OP&F contributes 0.5% to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OPWC Loan: Catch Basin Rehab-Phase II	\$ 32,276	0.00%

The Ohio Public Works Commission (OPWC) loan relates to the sewer plant expansion project and the Waste Water Treatment Plant – Catch Basin. This loan will be repaid in semi-annual installments over 20 years. The loan is to be repaid from enterprise funds and is collateralized by water and sewer user fees.

***Amortization***

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

Year ending December 31:	OPWC Loan
2017	\$ 5,379
2018	5,379
2019	5,379
2020	5,379
2021	5,379
2022-2026	5,381
Total	\$ 32,276

**Note 10 – Contingent Liabilities**

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village’s financial condition.

**INDEPENDENT AUDITOR'S 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  
McDonald, Ohio 44437

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of McDonald, Trumbull County (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 24, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

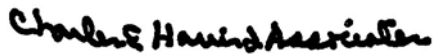
***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 24, 2017.

***Purpose of this Report***

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



***Charles E. Harris and Associates, Inc.***  
June 24, 2017

**Village of McDonald**  
**Trumbull County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2016 and 2015*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Audit Adjustments and Reclassifications	Corrective Action Taken and Finding Is Fully Corrected	





# 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  
OCTOBER 10, 2017