

VILLAGE OF MCDONALD

TRUMBULL COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2014 and 2013





Dave Yost • Auditor of State

Village Council
Village of McDonald
451 Ohio Ave
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, 2013 through December 31, 2014. 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 1, 2015

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VILLAGE OF MCDONALD
TRUMBULL COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2014	3
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, 2014	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2013	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, 2013	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings	19

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 and related notes of the Village of McDonald, Trumbull County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 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 State of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles


In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of McDonald, Trumbull County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 20, 2015

**VILLAGE OF MCDONALD
TRUMBULL COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 152,276	\$ 11,258	\$ -	\$ -	\$ 163,534
Municipal Income Tax	1,115,380	-	-	-	1,115,380
Intergovernmental	88,677	186,349	-	578,494	853,520
Special Assessments	180	-	-	-	180
Charges for Services	-	48,111	-	-	48,111
Fines, Licenses and Permits	50,420	52	-	-	50,472
Earnings on Investments	7,300	484	-	2	7,786
Miscellaneous	40,430	4	-	-	40,434
<i>Total Cash Receipts</i>	<u>1,454,663</u>	<u>246,258</u>	<u>-</u>	<u>578,496</u>	<u>2,279,417</u>
Cash Disbursements					
Current:					
Security of Persons and Property	486,481	131,967	-	-	618,448
Public Health Services	5,000	-	-	-	5,000
Leisure Time Activities	24,740	-	-	-	24,740
Community Environment	6,750	-	-	-	6,750
Basic Utility Services	135,000	-	-	-	135,000
Transportation	-	243,866	-	-	243,866
General Government	379,249	1,895	-	-	381,144
Capital Outlay	-	-	-	715,340	715,340
<i>Total Cash Disbursements</i>	<u>1,037,220</u>	<u>377,728</u>	<u>-</u>	<u>715,340</u>	<u>2,130,288</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	417,443	(131,470)	-	(136,844)	149,129
Other Financing Receipts (Disbursements)					
Transfers In	-	115,000	-	250,000	365,000
Transfers Out	(420,000)	-	-	-	(420,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(420,000)</u>	<u>115,000</u>	<u>-</u>	<u>250,000</u>	<u>(55,000)</u>
<i>Net Change in Fund Cash Balances</i>	(2,557)	(16,470)	-	113,156	94,129
<i>Fund Cash Balances, January 1</i>	<u>721,294</u>	<u>199,278</u>	<u>28,190</u>	<u>40,038</u>	<u>988,800</u>
Fund Cash Balances, December 31					
Restricted	-	182,808	-	-	182,808
Committed	-	-	-	153,194	153,194
Assigned	-	-	28,190	-	28,190
Unassigned	718,737	-	-	-	718,737
<i>Fund Cash Balances, December 31</i>	<u>\$ 718,737</u>	<u>\$ 182,808</u>	<u>\$ 28,190</u>	<u>\$ 153,194</u>	<u>\$ 1,082,929</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
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
Operating Cash Receipts				
Charges for Services	\$ 1,170,837	\$ 6,684	\$ -	\$ 1,177,521
Fines, Licenses and Permits	-	-	17,159	17,159
Miscellaneous	124,315	-	-	124,315
<i>Total Operating Cash Receipts</i>	<u>1,295,152</u>	<u>6,684</u>	<u>17,159</u>	<u>1,318,995</u>
Operating Cash Disbursements				
Personal Services	230,089	-	-	230,089
Employee Fringe Benefits	46,849	-	-	46,849
Contractual Services	705,715	1,425	-	707,140
Supplies and Materials	60,963	-	-	60,963
Claims	-	52,982	-	52,982
Other	-	-	17,159	17,159
<i>Total Operating Cash Disbursements</i>	<u>1,043,616</u>	<u>54,407</u>	<u>17,159</u>	<u>1,115,182</u>
<i>Operating Income (Loss)</i>	251,536	(47,723)	-	203,813
Non-Operating Receipts (Disbursements)				
Intergovernmental	651,072			651,072
Capital Outlay	(1,068,717)	-	-	(1,068,717)
Principal Retirement	(5,379)	-	-	(5,379)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(423,024)</u>	<u>-</u>	<u>-</u>	<u>(423,024)</u>
<i>Income (Loss) before Transfers</i>	(171,488)	(47,723)	-	(219,211)
Transfers In	-	55,000	-	55,000
<i>Net Change in Fund Cash Balances</i>	(171,488)	7,277	-	(164,211)
<i>Fund Cash Balances, January 1</i>	<u>1,123,461</u>	<u>28,130</u>	<u>-</u>	<u>1,151,591</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 951,973</u>	<u>\$ 35,407</u>	<u>\$ -</u>	<u>\$ 987,380</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
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 154,803	\$ 8,456	\$ -	\$ -	\$ 163,259
Municipal Income Tax	1,010,832	-	-	-	1,010,832
Intergovernmental	50,648	187,583	-	213,865	452,096
Charges for Services	-	60,846	-	-	60,846
Fines, Licenses and Permits	49,871	1,883	-	-	51,754
Earnings on Investments	7,718	512	-	3	8,233
Miscellaneous	47,223	896	-	429	48,548
<i>Total Cash Receipts</i>	<u>1,321,095</u>	<u>260,176</u>	<u>-</u>	<u>214,297</u>	<u>1,795,568</u>
Cash Disbursements					
Current:					
Security of Persons and Property	472,515	140,004	-	-	612,519
Public Health Services	4,824	-	-	-	4,824
Leisure Time Activities	24,740	-	-	-	24,740
Community Environment	6,825	-	-	-	6,825
Basic Utility Services	135,000	-	-	-	135,000
Transportation	2,000	236,642	-	-	238,642
General Government	397,574	1,723	-	-	399,297
Capital Outlay	-	-	-	395,815	395,815
<i>Total Cash Disbursements</i>	<u>1,043,478</u>	<u>378,369</u>	<u>-</u>	<u>395,815</u>	<u>1,817,662</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	277,617	(118,193)	-	(181,518)	(22,094)
Other Financing Receipts (Disbursements)					
Transfers In	-	120,000	-	150,000	270,000
Transfers Out	(315,000)	-	-	-	(315,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(315,000)</u>	<u>120,000</u>	<u>-</u>	<u>150,000</u>	<u>(45,000)</u>
<i>Net Change in Fund Cash Balances</i>	(37,383)	1,807	-	(31,518)	(67,094)
<i>Restated Fund Cash Balances, January 1, Note 12</i>	<u>758,677</u>	<u>197,471</u>	<u>28,190</u>	<u>71,556</u>	<u>1,055,894</u>
Fund Cash Balances, December 31					
Restricted	-	199,278	-	-	199,278
Committed	-	-	-	40,038	40,038
Assigned	-	-	28,190	-	28,190
Unassigned	721,294	-	-	-	721,294
<i>Fund Cash Balances, December 31</i>	<u>\$ 721,294</u>	<u>\$ 199,278</u>	<u>\$ 28,190</u>	<u>\$ 40,038</u>	<u>\$ 988,800</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
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
Operating Cash Receipts				
Charges for Services	\$ 1,215,825	\$ 7,763	\$ -	\$ 1,223,588
Fines, Licenses and Permits	-	-	22,104	22,104
Miscellaneous	124,191	-	-	124,191
<i>Total Operating Cash Receipts</i>	<u>1,340,016</u>	<u>7,763</u>	<u>22,104</u>	<u>1,369,883</u>
Operating Cash Disbursements				
Personal Services	212,983	-	-	212,983
Employee Fringe Benefits	43,414	-	-	43,414
Contractual Services	661,181	2,338	-	663,519
Supplies and Materials	58,963	-	-	58,963
Claims	-	37,433	-	37,433
Other	-	-	22,104	22,104
<i>Total Operating Cash Disbursements</i>	<u>976,541</u>	<u>39,771</u>	<u>22,104</u>	<u>1,038,416</u>
<i>Operating Income (Loss)</i>	363,475	(32,008)	-	331,467
Non-Operating Receipts (Disbursements)				
Capital Outlay	(69,081)	-	-	(69,081)
Principal Retirement	(5,378)	-	-	(5,378)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(74,459)</u>	<u>-</u>	<u>-</u>	<u>(74,459)</u>
<i>Income (Loss) before Transfers</i>	289,016	(32,008)	-	257,008
Transfers In	-	45,000	-	45,000
<i>Net Change in Fund Cash Balances</i>	289,016	12,992	-	302,008
<i>Restated Fund Cash Balances, January 1 , Note 12</i>	<u>834,445</u>	<u>15,138</u>	<u>-</u>	<u>849,583</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,123,461</u>	<u>\$ 28,130</u>	<u>\$ -</u>	<u>\$ 1,151,591</u>

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, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of McDonald, Trumbull County, Ohio (the Village) as a body corporate and politic. 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 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 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 expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.8 and Ohio Administrative Code Section 117-2-03(D) permit.

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 U.S. Agency Notes 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 accounts for and reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF MCDONALD
TRUMBULL COUNTY**

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

1. Summary of Significant Accounting Policies (continued)

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

3. Debt Service Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

4. Capital Project Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Capital Improvement Fund - This fund receives grant proceeds and tax revenues for capital improvements 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:

Health and Welfare Fund - This fund receives charges for services from residents to cover water service costs.

7. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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 fines collected and remitted to the Village by individuals and disbursed to various government entities.

VILLAGE OF MCDONALD
TRUMBULL COUNTY

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

1. Summary of Significant Accounting Policies (continued)

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 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.

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. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

**VILLAGE OF MCDONALD
TRUMBULL COUNTY**

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

1. Summary of Significant Accounting Policies (continued)

4. Assigned

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

5. Unassigned

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

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

G. 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.

H. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	2014	2013
Demand deposits	\$ 286,530	\$ 143,791
Money Market	992,200	1,208,749
Total deposits	1,278,730	1,352,540
STAR Ohio	18,519	18,511
U.S. Agency Notes	773,060	769,340
Total investments	791,579	787,851
Total deposits and investments	\$ 2,070,309	\$ 2,140,391

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

**VILLAGE OF MCDONALD
TRUMBULL COUNTY**

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

2. Equity in Pooled Deposits (continued)

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

3. Budgetary Activity

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

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,202,372	\$ 1,454,663	\$ 252,291
Special Revenue	421,508	361,258	(60,250)
Capital Projects	1,230,000	828,496	(401,504)
Enterprise	2,111,000	1,946,224	(164,776)
Internal Service	60,000	61,684	1,684

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,497,838	\$ 1,457,220	\$ 40,618
Special Revenue	423,445	377,728	45,717
Capital Project	1,252,000	715,340	536,660
Enterprise	2,297,155	2,117,712	179,443
Internal Service	60,900	54,407	6,493

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,073,523	\$ 1,321,092	\$ (752,431)
Special Revenue	486,499	380,176	(106,323)
Capital Project	450,000	364,297	(85,703)
Enterprise	1,410,000	1,340,016	(69,984)
Internal Service	50,000	52,763	2,763

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 2,146,153	\$ 1,358,478	\$ 787,675
Special Revenue	419,310	378,369	40,941
Capital Project	459,500	395,815	63,685
Enterprise	1,329,128	1,051,000	278,128
Internal Service	50,900	39,771	11,129

**VILLAGE OF MCDONALD
TRUMBULL COUNTY**

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

4. Property Tax

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

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

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

5. Local Income Tax

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

6. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$ 43,034	0%
Total	\$ 43,034	

The Ohio Public Works Commission (OPWC) loan relates 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. 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 of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OPWC Loan
2015	\$ 5,379
2016	5,379
2017	5,379
2018	5,379
2019	5,379
2020-2024	16,139
Total	\$ 43,034

**VILLAGE OF MCDONALD
TRUMBULL COUNTY**

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

6. Debt (continued)

In the prior audit report, the outstanding balance was understated by \$8,628. The outstanding debt amount and amortization table have been adjusted accordingly.

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 January – June 2013, OP&F participants contributed 10% of their earnable salaries. For July 2013 – June 2013, OP&F participants contributed 10.75% of their earnable salaries. For July 2014 – December 2014, OP&F participants contributed 11.5% of their earnable salaries. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' earnable salaries. For 2014 and 2013, OPERS members contributed 10% of their earnable salaries and the Village contributed an amount equaling 14% of participants' earnable salaries. The Village has paid all contributions required through December 31, 2014.

9. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public officials and law enforcement liability;
- Crime;
- Vehicles; and
- Errors and omissions.

There have been no settlements paid in excess of insurance coverage nor has insurance coverage been significantly reduced in the past three years.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

10. Contingent Liabilities

Management believes there are no pending claims or lawsuits.

11. Transfers

Transfers were made from the General Fund to various funds to subsidize operations and capital projects and to fund the Village's internal service fund.

**VILLAGE OF MCDONALD
TRUMBULL COUNTY**

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

12. Prior Period Adjustment

An adjustment of prior period fund balances was necessary due to the reclassification of the Village's Income Tax, Police and Fire Pension, and Retirement/Sick Leave Buyout funds which were previously recorded as agency funds.

	General Fund	Special Revenue	Agency
Fund Cash Balance, Previously Reported at December 31, 2012	\$ 11,884	\$ 159,164	\$ 785,100
Adjustments	746,793	38,307	(785,100)
Restated Fund Balance, January 1, 2013	758,677	197,471	-

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**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 Village of McDonald, Trumbull County (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 20, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2014-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 20, 2015.

Entity's Response to Finding

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

Purpose of this Report

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



Charles E. Harris and Associates, Inc.
June 20, 2015

**VILLAGE OF MCDONALD
TRUMBULL COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2014-001 – Material Weakness and Noncompliance

Audit Adjustments and Reclassifications

Ohio Revised Code Section 117.38 requires entities filing on a cash-basis to file annual reports with the Auditor of State within 60 days of the fiscal year-end on the form used by the public office.

Ohio Administrative Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

The Village Officer's Handbook and UAN accounting system provide suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During audit procedures performed, errors were noted in the Village's financial statements that required audit adjustments and reclassifications as follows:

- During 2014 and 2013, property tax monies were posted as Intergovernmental revenue instead of Property and Other Local Tax revenue.
- During 2014 and 2013, cable fee revenue was classified as Charges for Services instead of Fines, Licenses and Permits revenue.
- During 2014 and 2013, water and sewer user fees were posted as Miscellaneous revenue and Fines, Licenses and Permits revenue in the enterprise funds instead of Charges for Services.
- During 2014, reimbursements received were classified as Other Financing Sources instead of Miscellaneous revenue.
- During 2014 and 2013, expenses for Employee Fringe Benefits were classified as personal services in the enterprise funds.
- During 2014 and 2013, partial payment of the solicitor's fees from the enterprise funds was classified as Personal Services instead of Contractual Services expense.
- During 2014 and 2013, payment of internal service claims and the related fees were classified as Personal Services instead of Claims and Contractual Services expenses.
- During 2014 and 2013, disbursements of Mayor's court fees was classified as Supplies and Materials instead of Other expense in the agency fund.
- During the prior audit, it was noted that the agency funds included an Income Tax fund, a Police and Fire Pension fund and a Retirement/Sick Leave Buyout fund, none of which should be classified as agency funds.

VILLAGE OF MCDONALD
TRUMBULL COUNTY

SCHEDULE OF FINDINGS - Continued
DECEMBER 31, 2014 AND 2013

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued</p>

Finding Number: 2014-001 – Material Weakness and Noncompliance (continued)

The accompanying financial statements and the Village's records have been adjusted to properly reflect these transactions.

The Village elects to file its annual reports on a regulatory basis with the Auditor of State however, the Village filed OCBOA-cash basis statements with the Auditor of State for the years ended 2014 and 2013 without actually preparing OCBOA-cash basis statements. This led to materially misleading statements being filed for the years ended December 31, 2014 and 2013.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Village adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the UAN Handbook, the Village Officer's Handbook and other Auditor of State guidance to aid in properly identifying account classifications.

Management's Response:

Management agrees with the adjustments and will review its annual financial report for errors and omissions in the future.

**VILLAGE OF MCDONALD
TRUMBULL COUNTY**

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

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Improper Investments	Yes	Finding No Longer Valid
2012-002	Failure to Perform Duties - Treasurer	Yes	Finding No Longer Valid
2012-003	Expenditures Exceeded Appropriations	Yes	Finding No Longer Valid
2012-004	Misclassification of Receipts	No	Partially Corrected, Combined into 2014-001



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
SEPTEMBER 10, 2015**