

VILLAGE OF MCDONALD

TRUMBULL COUNTY

Audit Report

For the Years Ended December 31, 2018 and 2017



OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of McDonald
451 Ohio Avenue
McDonald, Ohio 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, 2017 through December 31, 2018. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 29, 2019

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Village of McDonald
Trumbull County
For the Years Ended December 31, 2018 and 2017

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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, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating of the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 accounting basis and GAAP are not reasonably determined, 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, 2018 and 2017, 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of McDonald, Trumbull County, as of December 31, 2018 and 2017, 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 15, 2019, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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 15, 2019

**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, 2018*

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$ 135,271	\$ 5,278	\$ -	\$ -	\$ 140,549
Municipal Income Tax	1,026,103	-	-	-	1,026,103
Intergovernmental	91,003	201,251	-	53,348	345,602
Charges for Services	-	37,686	-	-	37,686
Fines, Licenses and Permits	31,823	1,824	-	-	33,647
Earnings on Investments	13,242	880	-	114	14,236
Miscellaneous	64,079	4,455	-	310	68,844
<i>Total Cash Receipts</i>	1,361,521	251,374	-	53,772	1,666,667
Cash Disbursements					
Current:					
Security of Persons and Property	425,845	158,824	-	-	584,669
Public Health Services	4,688	-	-	-	4,688
Leisure Time Activities	49,806	649	-	-	50,455
Community Environment	6,577	-	-	-	6,577
Basic Utility Services	163,934	-	-	-	163,934
Transportation	-	218,617	-	-	218,617
General Government	397,856	1,859	-	-	399,715
Capital Outlay	-	-	-	175,024	175,024
Debt Service:					
Principal Retirement	-	-	17,146	-	17,146
<i>Total Cash Disbursements</i>	1,048,706	379,949	17,146	175,024	1,620,825
<i>Excess of Receipts Over (Under) Disbursements</i>	312,815	(128,575)	(17,146)	(121,252)	45,842
Other Financing Receipts (Disbursements)					
Transfers In	-	89,546	12,000	100,000	201,546
Transfers Out	(221,546)	-	-	-	(221,546)
<i>Total Other Financing Receipts (Disbursements)</i>	(221,546)	89,546	12,000	100,000	(20,000)
<i>Net Change in Fund Cash Balances</i>	91,269	(39,029)	(5,146)	(21,252)	25,842
<i>Fund Cash Balances, January 1</i>	806,713	225,102	28,190	54,880	1,114,885
Fund Cash Balances, December 31					
Nonspendable	20	-	-	-	20
Restricted	-	186,073	-	-	186,073
Committed	-	-	23,044	33,628	56,672
Unassigned	897,962	-	-	-	897,962
<i>Fund Cash Balances, December 31</i>	<u>\$ 897,982</u>	<u>\$ 186,073</u>	<u>\$ 23,044</u>	<u>\$ 33,628</u>	<u>\$ 1,140,727</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, 2018*

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts				
Charges for Services	\$ 1,431,829	\$ 15,822	\$ -	\$ 1,447,651
Fines, Licenses and Permits	-	-	32,761	32,761
Miscellaneous	1,110	924	-	2,034
<i>Total Operating Cash Receipts</i>	1,432,939	16,746	32,761	1,482,446
Operating Cash Disbursements				
Personal Services	365,135	-	-	365,135
Contractual Services	366,802	-	-	366,802
Supplies and Materials	427,494	-	-	427,494
Claims	-	34,977	-	34,977
Other	-	14,976	32,761	47,737
<i>Total Operating Cash Disbursements</i>	1,159,431	49,953	32,761	1,242,145
<i>Operating Income (Loss)</i>	273,508	(33,207)	-	240,301
Non-Operating Receipts (Disbursements)				
Intergovernmental	2,490	-	-	2,490
Earnings on Investments	159	-	-	159
Capital Outlay	(68,825)	-	-	(68,825)
Principal Retirement	(5,379)	-	-	(5,379)
<i>Total Non-Operating Receipts (Disbursements)</i>	(71,555)	-	-	(71,555)
<i>Income (Loss) before Transfers</i>	201,953	(33,207)	-	168,746
Transfers In	-	20,000	-	20,000
<i>Net Change in Fund Cash Balances</i>	201,953	(13,207)	-	188,746
<i>Fund Cash Balances, January 1</i>	1,353,442	70,473	-	1,423,915
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,555,395</u>	<u>\$ 57,266</u>	<u>\$ -</u>	<u>\$ 1,612,661</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 Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of McDonald, Trumbull County, Ohio (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 service.

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 Funds:

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

Police Fire and Pension Fund The police fire and pension fund accounts for and reports the receipt of Property and other local taxes for the purpose or providing a pension to the Village police and fire staff.

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:

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

General Obligation Debt Service Fund The general obligation debt service fund accounts for and reports monies restricted to disbursements for principal and interest payments.

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:

Capital Improvement Fund The construction fund accounts for and reports the receipt of monies from grants and 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 the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Internal Service Fund 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 funds account 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. Council 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.

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process

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

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 2018 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. The Village's unclaimed monies are considered nonspendable.

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Committed Council can commit amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless 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 Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balances as it does when appropriating fund balances 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 year ended December 31, 2018 follows:

Fund Type	2018 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,313,234	\$ 1,361,521	\$ 48,287
Special Revenue	371,020	340,920	(30,100)
Debt Service	12,000	12,000	-
Capital Projects	175,000	153,772	(21,228)
Enterprise	1,524,060	1,435,588	(88,472)
Internal Service	32,000	36,746	4,746

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity (continued)

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,370,606	\$ 1,270,252	\$ 100,354
Special Revenue	500,693	379,949	120,744
Debt Service	34,300	17,146	17,154
Capital Projects	225,500	175,024	50,476
Enterprise	1,372,855	1,233,635	139,220
Internal Service	64,710	49,953	14,757

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:

	2018
Demand deposits	\$ 1,939,339
Total deposits	1,939,339
STAR Ohio	19,208
U.S. Agency Notes	794,841
Total investments	814,049
Total deposits and investments	\$ 2,753,388

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized for 102% through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

The Federal Reserve holds the Village's U.S. Treasury Notes and 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.

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

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.

Note 6 – Risk Management

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

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017 (latest information available).

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Risk Management (continued)

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.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (latest information available).

	<u>2017</u>	
Assets		\$14,853,620
Liabilities		<u>(9,561,108)</u>
Members' Equity		<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, 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, 2018.

Ohio Police and Fire Retirement System

The Village's full-time police officers belong to the Ohio Police and Fire Retirement System (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. OP&F participants contributed 12.25% of their wages. 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, 2018.

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.

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans (continued)

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, 2018.

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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan CF16C - Catch Basin Rehab-Phase II	\$ 21,518	0.00%
OPWC Loan CF02U - 2017 Street Resurfacing Program	462,936	0.00%

The Ohio Public Works Commission (OPWC) loan CF16C 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.

The OPWC Loan CF02U relates to the 2017 street resurfacing program. This loan will be repaid in semi-annual installments over 14 years. The loan is to be repaid from debt service funds and is collateralized by water and sewer use fees.

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (continued)

Amortization

Amortization of the above debt is scheduled as follows:

Year ending December 31:	<u>OPWC Loans</u>
2019	\$ 39,671
2020	39,671
2021	39,671
2022	39,671
2023	34,292
2024-2028	171,458
2029-2033	120,020
Total	<u>\$ 484,454</u>

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.

Note 11 – Transfers

During 2018, transfers were made from the General Fund to the SCM&R fund, Ambulance fund, Police and Fire Pension fund, Fire Grants fund, Debt Service fund, Capital Improvements fund, and the Health & Welfare fund to subsidize operations. All transfers were made in accordance with the Ohio Revised Code.

**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, 2017*

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$ 128,346	\$ 11,224	\$ -	\$ -	\$ 139,570
Municipal Income Tax	927,289	-	-	-	927,289
Intergovernmental	77,119	180,315	-	4,395	261,829
Charges for Services	-	21,693	-	-	21,693
Fines, Licenses and Permits	50,373	1,231	-	-	51,604
Earnings on Investments	7,856	731	-	61	8,648
Miscellaneous	27,786	-	-	-	27,786
<i>Total Cash Receipts</i>	1,218,769	215,194	-	4,456	1,438,419
Cash Disbursements					
Current:					
Security of Persons and Property	434,068	117,424	-	-	551,492
Public Health Services	2,592	-	-	-	2,592
Leisure Time Activities	34,116	-	-	-	34,116
Community Environment	6,505	-	-	-	6,505
Basic Utility Services	155,000	-	-	-	155,000
Transportation	353	213,746	-	-	214,099
General Government	338,672	-	-	-	338,672
Capital Outlay	-	-	-	491,147	491,147
<i>Total Cash Disbursements</i>	971,306	331,170	-	491,147	1,793,623
<i>Excess of Receipts Over (Under) Disbursements</i>	247,463	(115,976)	-	(486,691)	(355,204)
Other Financing Receipts (Disbursements)					
Other Debt Proceeds	-	-	-	480,082	480,082
Transfers In	-	120,000	-	-	120,000
Transfers Out	(150,000)	-	-	-	(150,000)
<i>Total Other Financing Receipts (Disbursements)</i>	(150,000)	120,000	-	480,082	450,082
<i>Net Change in Fund Cash Balances</i>	97,463	4,024	-	(6,609)	94,878
<i>Fund Cash Balances, January 1</i>	709,250	221,078	28,190	61,489	1,020,007
Fund Cash Balances, December 31					
Restricted	-	227,980	-	-	227,980
Committed	-	-	-	54,880	54,880
Assigned	57,372	-	28,190	-	85,562
Unassigned	749,341	(2,878)	-	-	746,463
<i>Fund Cash Balances, December 31</i>	<u>\$ 806,713</u>	<u>\$ 225,102</u>	<u>\$ 28,190</u>	<u>\$ 54,880</u>	<u>\$ 1,114,885</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, 2017*

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts				
Charges for Services	\$ 1,525,638	\$ 11,937	\$ -	\$ 1,537,575
Fines, Licenses and Permits	-	-	20,248	20,248
Miscellaneous	1,546	-	-	1,546
<i>Total Operating Cash Receipts</i>	1,527,184	11,937	20,248	1,559,369
Operating Cash Disbursements				
Personal Services	286,672	-	-	286,672
Contractual Services	760,870	-	-	760,870
Supplies and Materials	110,985	-	-	110,985
Claims	-	42,376	-	42,376
Other	62,065	-	20,248	82,313
<i>Total Operating Cash Disbursements</i>	1,220,592	42,376	20,248	1,283,216
<i>Operating Income (Loss)</i>	306,592	(30,439)	-	276,153
Non-Operating Receipts (Disbursements)				
Earnings on Investments	91	-	-	91
Principal Retirement	(2,690)	-	-	(2,690)
<i>Total Non-Operating Receipts (Disbursements)</i>	(2,599)	-	-	(2,599)
<i>Income (Loss) before Transfers</i>	303,993	(30,439)	-	273,554
Transfers In	-	30,000	-	30,000
<i>Net Change in Fund Cash Balances</i>	303,993	(439)	-	303,554
<i>Fund Cash Balances, January 1</i>	1,049,449	70,912	-	1,120,361
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,353,442</u>	<u>\$ 70,473</u>	<u>\$ -</u>	<u>\$ 1,423,915</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 Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of McDonald, Trumbull County, Ohio (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 service.

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 Funds:

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

Ambulance Fund The ambulance fund accounts for and reports the receipt of grant monies and charges for services provided to the Village residents for EMS services.

Debt Service Fund 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:

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

General Obligation Debt Service Fund The general obligation debt service fund accounts for and reports monies restricted to disbursements for principal and interest payments

Capital Project Fund 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 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 Fund 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 funds account 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. Council 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.

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process

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

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 2017 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.

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Committed Council can commit amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless 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 Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balances as it does when appropriating fund balances 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 year ending December 31, 2017 follows:

Fund Type	2017 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,323,771	\$ 1,218,769	\$ (105,002)
Special Revenue	357,939	335,194	(22,745)
Capital Projects	632,103	484,538	(147,565)
Enterprise	1,566,030	1,527,278	(38,752)
Internal Service	40,000	41,937	1,937

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity (continued)

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,307,554	\$ 1,121,306	\$ 186,248
Special Revenue	390,330	331,170	59,160
Capital Projects	587,500	491,147	96,353
Enterprise	1,343,030	1,223,282	119,748
Internal Service	60,300	42,376	17,924

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:

	2017
Demand deposits	\$ 1,920,991
Total deposits	1,920,991
STAR Ohio	18,837
U.S. Agency Notes	298,841
U.S. Treasury Notes	300,131
Total investments	617,809
Total deposits and investments	\$ 2,538,800

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized for 102% through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

The Federal Reserve holds the Village’s U.S. Treasury Notes and 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.

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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.

Note 6 – Risk Management

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

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017.

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management (continued)

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.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

	<u>2017</u>	
Assets		\$14,853,620
Liabilities		<u>(9,561,108)</u>
Members' Equity		<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, 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, 2017.

Ohio Police and Fire Retirement System

The Village's full-time police officers belong to the Ohio Police and Fire Retirement System (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. OP&F participants contributed 12.25% of their wages. 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, 2017.

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.

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plans (continued)

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, 2017.

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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1% during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4% during calendar year 2017. OP&F contributed 0.5% to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC Loan: Catch Basin Rehab-Phase II	\$ 26,897	0.00%
OPWC Loan: Catch Basin Rehab	480,082	0.00%
	\$ 506,979	

The OPWC Loan: Catch Basin Rehab-Phase II balance was overstated in the previous audit report by \$2,690, due to the Village making payments ahead of schedule.

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

Amortization

Amortization of the above debt, is scheduled as follows:

Year ending December 31:	OPWC Loans
2018	\$ 22,525
2019	39,670
2020	39,670
2021	39,670
2022	39,670
2023-2027	171,460
2028-2032	154,314
Total	\$ 506,979

Village of McDonald
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

Note 11 – Transfers

During 2017, transfers were made from the General Fund to the SCM&R fund, Ambulance fund, Police Pension fund, and Health & Welfare fund to subsidize operations. All transfers were made in accordance with the Ohio Revised Code.

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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
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *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 of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 15, 2019, 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

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Village of McDonald

Trumbull County

Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

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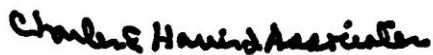
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 15, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *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 15, 2019

OHIO AUDITOR OF STATE
KEITH FABER



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
AUGUST 13, 2019**