



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF NORTH RANDALL  
CUYAHOGA COUNTY

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## INDEPENDENT AUDITOR'S REPORT

Village of North Randall  
Cuyahoga County  
21937 Miles Road  
North Randall, Ohio 44128

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 North Randall, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

### ***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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position 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 North Randall, Cuyahoga County, Ohio as of December 31, 2019 and 2018, and 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 February 3, 2021, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 3, 2021

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Governmental Fund Type*  
*For the Year Ended December 31, 2019*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$3,726	\$83,733	\$152,562		\$240,021
Municipal Income Tax	5,747,757	644,126			6,391,883
Intergovernmental	149,085	50,591			199,676
Special Assessments	3,041				3,041
Charges for Services	119,387	29,530			148,917
Fines, Licenses and Permits	248,868	6,945			255,813
Earnings on Investments	18,181			\$1,441	19,622
Miscellaneous	32,534				32,534
<i>Total Cash Receipts</i>	<u>6,322,579</u>	<u>814,925</u>	<u>152,562</u>	<u>1,441</u>	<u>7,291,507</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	1,965,886	652,605			2,618,491
Leisure Time Activities	38,947				38,947
Community Environment	160,397				160,397
Basic Utility Services	121,643				121,643
Transportation	179,434	10,647			190,081
General Government	1,515,799		5,261		1,521,060
Capital Outlay		118,330			118,330
Debt Service:					
Principal Retirement			1,010,000	11,224	1,021,224
Interest and Fiscal Charges			32,825		32,825
<i>Total Cash Disbursements</i>	<u>3,982,106</u>	<u>781,582</u>	<u>1,048,086</u>	<u>11,224</u>	<u>5,822,998</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,340,473</u>	<u>33,343</u>	<u>(895,524)</u>	<u>(9,783)</u>	<u>1,468,509</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Notes			485,000		485,000
Sale of Capital Assets	2,075				2,075
Transfers In			410,524		410,524
Transfers Out				(410,524)	(410,524)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,075</u>	<u>0</u>	<u>895,524</u>	<u>(410,524)</u>	<u>487,075</u>
<i>Net Change in Fund Cash Balances</i>	2,342,548	33,343	0	(420,307)	1,955,584
<i>Fund Cash Balances, January 1, 2019</i>	<u>914,347</u>	<u>243,259</u>	<u>586</u>	<u>701,425</u>	<u>1,859,617</u>
<b>Fund Cash Balances, December 31, 2019</b>					
Restricted		276,602	586	281,118	558,306
Assigned	693,701				693,701
Unassigned (Deficit)	<u>2,563,194</u>				<u>2,563,194</u>
<i>Fund Cash Balances, December 31, 2019</i>	<u>\$3,256,895</u>	<u>\$276,602</u>	<u>\$586</u>	<u>\$281,118</u>	<u>\$3,815,201</u>

See accompanying notes to the basic financial statements

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Statement of Receipts, Disbursements*  
*and Changes in Fund Balance (Cash Basis)*  
*Fiduciary Fund Type*  
*For the Year Ended December 31, 2019*

	<u>Agency</u>
<b>Cash Receipts</b>	
Fines, Licenses and Permits	\$262,964
<b>Cash Disbursements</b>	
Other	258,342
<i>Operating (Loss)</i>	<i>4,622</i>
<i>Fund Cash Balances, January 1, 2019</i>	<i>22,105</i>
<i>Fund Cash Balances, December 31, 2019</i>	<i>\$26,727</i>

*See accompanying notes to the basic financial statements*



**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of North Randall, Cuyahoga County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides police and fire protection services, road maintenance, general governmental services and a Mayor's Court. The Village contracts with the Village of Highland Hills for rubbish removal services.

***Jointly Governed Organizations, and Public Entity Risk Pool***

The Village participates in three jointly governed organizations, and a public entity risk pool. Notes 6 and 11 to the financial statements provides additional information for these entities. 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 (cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balance (cash basis) for its fiduciary fund type 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 or committed to expenditure 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 receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

***Police Levy Fund*** - The police levy fund receives property tax and state money to provide police protection services.

***Fire Levy Fund*** - The fire levy fund receives property tax, income tax, and state money to provide fire protection services.

***Debt Service Funds*** This fund account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

***General Obligation Fund*** - This fund receives property taxes and note proceeds for retirement of general obligation debt.

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 2 - Summary of Significant Accounting Policies – (Continued)**

**Capital Project Funds** These funds account for and report financial resources that are restricted, 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 funds:

**General Capital Projects Fund** – The General Capital Projects Fund accounts for the financial resources designated for the acquisition or major repair of infrastructure or capital assets.

**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 report fiduciary activity that is not required to be reported in a trust fund. The Village's agency fund accounts for the activities of the Village Mayor's Court.

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Budgetary Process**

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

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and personal services 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 unencumbered 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 canceled, and reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 2 - Summary of Significant Accounting Policies – (Continued)**

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

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

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

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

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

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

***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.

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,581	\$6,324,654	\$6,311,073
Special Revenue	427,350	814,925	387,575
Debt Service	2,093,839	1,048,086	(1,045,753)
Capital Projects	22,000	1,441	(20,559)
Total	\$2,556,770	\$8,189,106	\$5,632,336

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,208,123	\$3,982,106	\$1,226,017
Special Revenue	1,017,051	781,582	235,469
Debt Service	637,562	1,048,086	(410,524)
Capital Projects	702,012	421,748	280,264
Total	\$7,564,749	\$6,233,522	\$1,331,227

**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, 2019 was as follows:

Demand deposits	2019 2,159,611
Investment:	
STAR Ohio	1,682,317
Total deposits and investments	\$3,841,928

**Deposits** are insured by the Federal Depository Insurance Corporation; or collateralized through the Ohio pooled collateral system (OPCS).

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

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**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.

***Income Taxes***

The Village levied a municipal income tax of 2.75 percent, with 0.25 percent allocated to the operations of the Fire Department, 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 Central Collection Agency (CCA) either monthly, or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. CCA collects taxes on the Village's behalf and remits them to the Village on a monthly basis.

**Note 6 - Risk Management**

***Risk Pool Membership***

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. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 6 - Risk Management – (Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	<u>( 11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some 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, 2019.

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

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

The Ohio Revised Code also prescribes contribution rates. 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, 2019.

***Social Security***

Several of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

**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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 9 – Debt**

On September 13, 2017, the Village issued a various purpose improvement note in the amount of \$1,315,000 with an interest rate of 2.25%. On September 12, 2018, the Village issued a various purpose improvement note in the amount of \$1,010,000 with an interest rate of 3.25% to retire the 2017 various purpose improvement note in the amount of \$1,315,000. On September 11, 2019, the Village issued a various purpose improvement note in the amount of \$485,000 with an interest rate of 2.00% to retire the 2018 various purpose improvement note in the amount of \$1,010,000.

In July, 2016, the Village received a loan in the amount of \$224,500 from the Ohio Public Works Commission to improve the Derbyshire Drive waterline. The Village will repay the loans in semiannual installments of \$5,612.50, including interest, over 20 years.

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
General Obligation Notes	\$485,000	2.00%
Ohio Public Works Commission Loan	\$185,213	0%
Total	\$670,213	

**Amortization**

Amortization of the Ohio Public Works Commission Loan follows:

Year Ending December 31:	OPWC Loan
2020	\$11,225
2021	11,225
2022	11,225
2023	11,225
2024	11,225
2025-2029	56,125
2030-2034	56,125
2035-2036	16,838
Total	\$185,213

**Note 10 – Contingent Liabilities**

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 11 – Jointly Governed Organizations**

**Chagrin Valley Dispatch Council**

The Village is a member of the Chagrin Valley Dispatch Council (CVD), a regional council of governments formed under Chapter 167 of the Ohio Revised Code. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center (“RCC”). It is currently comprised of 25 communities. It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept and raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the Ohio Revised Code. Participating political subdivisions appoint one representative to CVD. Each member of CVD is entitled to one vote on each item under consideration by the board. During 2019, the Village contributed \$158,794 to CVD. Financial information can be obtained by contacting the Chagrin Valley Dispatch Council, 88 Center Street, Bedford, Ohio 44146.

**Northeast Ohio Public Energy Council**

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC), a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 235 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2019. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

**Chagrin/Southeast Council of Governments**

The Chagrin/Southeast Council of Governments operates the Chagrin/Southeast HazMat Response Team (Team). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. During 2019, the Village contributed \$3,500, to the organization. The Chagrin/Southeast Council of Governments financials statements may be obtained by contacting the Finance Director at the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio 44139.

The Council has established two subsidiary organizations, the West Shore Hazardous Materials Committee which provides hazardous material protection and assistance, and the West Shore Enforcement Bureau which provides extra assistance to cities in the form of a Swat Team.

**Note 12 – Related Party Transactions**

Beginning in January 2015, the Village rents Service Department Garage space from the spouse of a Council member. The Village pays \$2,000 per month in rent.



**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 13 – Subsequent Events**

On September 10, 2020, the Village retired the various purpose improvement note in the amount of \$485,000 with an interest rate of 2.00%.

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Governmental Fund Type*  
*For the Year Ended December 31, 2018*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$6,984	\$72,537	\$121,055		\$200,576
Municipal Income Tax	3,343,808	371,534			3,715,342
Intergovernmental	64,679	43,041			107,720
Special Assessments	3,026				3,026
Charges for Services	96,854	23,834			120,688
Fines, Licenses and Permits	389,693	5,485			395,178
Earnings on Investments	16,493				16,493
Miscellaneous	112,677	2,137			114,814
<i>Total Cash Receipts</i>	<u>4,034,214</u>	<u>518,568</u>	<u>121,055</u>		<u>4,673,837</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	1,647,101	431,273			2,078,374
Leisure Time Activities	28,295				28,295
Community Environment	204,033				204,033
Basic Utility Services	117,288				117,288
Transportation	125,711	58,064			183,775
General Government	1,299,189	5,197	20,355		1,324,741
Capital Outlay	43,384	38,048			81,432
Debt Service:					
Principal Retirement			1,315,000	\$11,225	1,326,225
Interest and Fiscal Charges			29,588		29,588
<i>Total Cash Disbursements</i>	<u>3,465,001</u>	<u>532,582</u>	<u>1,364,943</u>	<u>11,225</u>	<u>5,373,751</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>569,213</u>	<u>(14,014)</u>	<u>(1,243,888)</u>	<u>(11,225)</u>	<u>(699,914)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Notes			1,010,000		1,010,000
Premium on Sale of Notes			12,878		12,878
Transfer In			221,596		221,596
Transfer Out				(221,596)	(221,596)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>1,244,474</u>	<u>(221,596)</u>	<u>1,022,878</u>
<i>Net Change in Fund Cash Balances</i>	569,213	(14,014)	586	(232,821)	322,964
<i>Fund Cash Balances, January 1, 2018</i>	<u>345,134</u>	<u>257,273</u>	<u>0</u>	<u>934,246</u>	<u>1,536,653</u>
<b>Fund Cash Balances, December 31, 2018</b>					
Restricted		243,259	586	702,011	945,856
Assigned	914,347				914,347
Unassigned (Deficit)				(586)	(586)
<i>Fund Cash Balances, December 31, 2018</i>	<u>\$914,347</u>	<u>\$243,259</u>	<u>\$586</u>	<u>\$701,425</u>	<u>\$1,859,617</u>

See accompanying notes to the basic financial statements

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Statement of Receipts, Disbursements*  
*and Changes in Fund Balance (Cash Basis)*  
*Fiduciary Fund Type*  
*For the Year Ended December 31, 2018*

	<u>Agency</u>
<b>Cash Receipts</b>	
Fines, Licenses and Permits	\$176,576
<b>Cash Disbursements</b>	
Other	180,739
<i>Operating (Loss)</i>	<i>(4,163)</i>
<i>Fund Cash Balances, January 1, 2018</i>	<i>26,268</i>
<i>Fund Cash Balances, December 31, 2018</i>	<i>\$22,105</i>

*See accompanying notes to the basic financial statements*

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of North Randall, Cuyahoga County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides police and fire protection services, road maintenance, general governmental services and a Mayor's Court. The Village contracts with the Village of Highland Hills for rubbish removal services.

***Jointly Governed Organizations, and Public Entity Risk Pool***

The Village participates in three jointly governed organizations, and a public entity risk pool. Notes 6 and 11 to the financial statements provides additional information for these entities. 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 (cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balance (cash basis) for its fiduciary fund type 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 or committed to expenditure 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 receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

***Police Levy Fund*** - The police levy fund receives property tax and state money to provide police protection services.

***Fire Levy Fund*** - The fire levy fund receives property tax, income tax, and state money to provide fire protection services.

***Debt Service Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

***General Obligation Fund*** - This fund receives property taxes and note proceeds for retirement of general obligation debt.

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 - Summary of Significant Accounting Policies – (Continued)**

**Capital Project Funds** These funds account for and report financial resources that are restricted, 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 funds:

**General Capital Projects Fund** – The General Capital Projects Fund accounts for the financial resources designated for the acquisition or major repair of infrastructure or capital assets.

**Derbyshire/North Randall Drive Capital Improvement Fund**– The Derbyshire/North Randall Drive Capital Improvement Fund reports proceeds of general obligation bonds. The proceeds are restricted for construction and repair of Derbyshire Drive and North Randall Drive.

**Fiduciary Funds** Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village’s agency fund accounts for the activities of the Village Mayor’s Court.

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Budgetary Process**

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

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and personal services 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 unencumbered 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 canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 - Summary of Significant Accounting Policies – (Continued)**

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

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

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

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

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

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

***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.

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,000,000	\$4,034,214	\$1,034,214
Special Revenue	363,928	518,568	154,640
Debt Service	1,958,500	1,365,529	(592,971)
Capital Projects	22,000	0	(22,000)
Total	\$5,344,428	\$5,918,311	\$573,883

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,414,724	\$3,465,001	(\$50,277)
Special Revenue	566,011	532,582	33,429
Debt Service	420,980	1,364,943	(943,963)
Capital Projects	923,608	232,821	690,787
Total	\$5,325,323	\$5,595,347	(\$270,024)

**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, 2018 was as follows:

Demand deposits	2018 11,474,302
Investment:	
STAR Ohio	407,420
Total deposits and investments	\$11,881,722

**Deposits** are insured by the Federal Depository Insurance Corporation; or collateralized through the Ohio pooled collateral system (OPCS).

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



**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**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.

***Income Taxes***

The Village levied a municipal income tax of 2.75 percent, with 0.25 percent allocated to the operations of the Fire Department, 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 Central Collection Agency (CCA) either monthly, or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. CCA collects taxes on the Village's behalf and remits them to the Village on a monthly basis.

**Note 6 - Risk Management**

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. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 6 - Risk Management – (Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some 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 Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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***

Several of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent 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 of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 9 – Debt**

On September 13, 2017, the Village issued a various purpose improvement note in the amount of \$1,315,000 with an interest rate of 2.25%. On September 12, 2018, the Village issued a various purpose improvement note in the amount of \$1,010,000 with an interest rate of 3.25% to retire the 2017 various improvement note in the amount of \$1,315,000.

In July, 2016, the Village received a loan in the amount of \$224,500 from the Ohio Public Works Commission to improve the Derbyshire Drive waterline. The Village will repay the loans in semiannual installments of \$5,612.50, including interest, over 20 years.

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$1,010,000	3.25%
Ohio Public Works Commission Loan	<u>\$196,438</u>	0%
Total	<u><u>\$1,206,438</u></u>	

**Amortization**

Amortization of the Ohio Public Works Commission Loan Follows:

<u>Year Ending December 31:</u>	<u>OPWC Loan</u>
2019	\$11,225
2020	11,225
2021	11,225
2022	11,225
2023	11,225
2024-2028	56,125
2029-2033	56,125
2034-2036	<u>28,063</u>
Total	<u><u>\$196,438</u></u>

**Note 10 – Contingent Liabilities**

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

**Village of North Randall, Ohio**  
*Cuyahoga County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 11 – Jointly Governed Organizations**

**Chagrin Valley Dispatch Council**

The Village is a member of the Chagrin Valley Dispatch Council (CVD), a regional council of governments formed under Chapter 167 of the Ohio Revised Code. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center (“RCC”). It is currently comprised of 17 communities. It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept and raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the Ohio Revised Code. Participating political subdivisions appoint one representative to CVD. Each member of CVD is entitled to one vote on each item under consideration by the board. During 2018, the Village contributed \$166,228 to CVD. Financial information can be obtained by contacting the Chagrin Valley Dispatch Council, 88 Center Street, Bedford, Ohio 44146.

**Northeast Ohio Public Energy Council**

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC), a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 112 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2018. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

**Chagrin/Southeast Council of Governments**

The Chagrin/Southeast Council of Governments operates the Chagrin/Southeast HazMat Response Team (Team). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. During 2018, the Village contributed \$3,500, to the organization. The Chagrin/Southeast Council of Governments financials statements may be obtained by contacting the Finance Director of the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio 44139.

The Council has established two subsidiary organizations, the West Shore Hazardous Materials Committee which provides hazardous material protection and assistance, and the West Shore Enforcement Bureau which provides extra assistance to cities in the form of a Swat Team.

**Note 12 – Related Party Transactions**

Beginning in January, 2015, the Village rents Service Department Garage space from the spouse of a Council member. The Village pays \$2,000 per month in rent.

# OHIO AUDITOR OF STATE KEITH FABER



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

Village of North Randall  
Cuyahoga County  
21937 Miles Road  
North Randall, Ohio 44128

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of North Randall, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated February 3, 2021 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) as a basis for designing 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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. We consider finding 2019-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-002 described in the accompanying schedule of findings to be a significant deficiency.

***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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Village's Response to Findings***

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

***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 3, 2021

VILLAGE OF NORTH RANDALL  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018

FINDING NUMBER 2019-001

**Material Weakness - Financial Statement Adjustments**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. **Governmental Accounting Standards Board (GASB) Statement No. 54** – Fund Balance Reporting and Governmental Fund Type Definitions introduced five fund balance classification and clarified the existing governmental fund type definitions. **Statement 54 Paragraph 16** (codified in GASB Cod. 1800.176) indicates when appropriation measure is adopted for the subsequent year, if a portion of the existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. Auditor of State Bulletin 2011-004 provides additional guidance on GASB 54.

The following errors were identified in the 2019 financial statements:

- General Fund Property and Other Local Taxes, General Government Expense and Unassigned Fund Balance were overstated \$45,510, \$1,000 and \$693,701, respectively, and Intergovernmental Revenue, Miscellaneous Revenue and Assigned Fund Balance were understated \$29,510, \$15,000 and \$693,701, respectively, due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements and accounting system as approved by management.
- Special Revenue Funds' Property and Other Local Taxes was overstated and Intergovernmental Revenue was understated \$50,592 due to a revenue classification error. This item was adjusted to the financial statement and accounting system as approved by management.
- Debt Service Transfers In, Principal Retirement, Beginning Fund Balance, and Cash Fund Balance were understated \$410,524, \$410,524, \$586, and \$586, respectively, due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements and accounting system as approved by management.
- Capital Project Funds' Transfers Out was understated \$410,524, and Principal Retirement and Beginning Fund Balance were overstated \$410,524 and \$586, respectively, due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements and accounting system as approved by management.
- Capital Project Funds' Transfers In and Transfers Out were understated \$11,225, respectively, due to the net effect of various financial statement mispostings. These adjustments were reported to management as an unadjusted item.

**FINDING NUMBER 2019-001 – (Continued)**

The following errors were identified in the 2018 financial statements:

- General Fund Miscellaneous Revenue and Unassigned Fund Balance were overstated \$8,985 and \$914,347, respectively, and Intergovernmental Revenue and Assigned Fund Balance were understated by \$8,985 and \$914,347, respectively, due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements and accounting system as approved by management.
- Special Revenue Funds' Property and Other Local Taxes was overstated and Intergovernmental Revenue was understated \$2,497 due to a revenue classification error. This item was adjusted to the financial statements and accounting system as approved by management.
- Debt Service Fund Principal Retirement was overstated \$586, and Cash Fund Balance, Transfers In and Principal Retirement were understated \$586, \$221,596 and \$221,596, respectively, due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements and accounting system as approved by management.
- Capital Projects Funds' Cash Fund Balance and Principal Retirement were overstated \$586 and \$221,596, respectively, and Principal Retirement and Transfers Out were understated \$586 and \$221,596, respectively, due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements and accounting system as approved by management.

The Village should exercise due care when posting transactions to help ensure transactions are correct and posted to the proper accounts. Management should also review the financial statements to help ensure they are supported by sufficient documentation, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

**Officials' Response:**

The Village has corrected the posting discrepancies and interpretations of Property and Other Local Taxes vs. Intergovernmental Revenues vs. Miscellaneous Revenues. The large restatements from the Capital Projects Fund and Debt Service Fund are the result of the Village receiving revenue from the sale of fixed assets in a prior year and placing that revenue in the Capital Projects Fund.



**FINDING NUMBER 2019-002**

**Significant Deficiency - Budgetary Accounting**

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and subsequent amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village's current accounting system (Quickbooks) does not incorporate approved estimated receipts or appropriations.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations and amendments thereof approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources was not posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the notes to the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**Officials' Response:**

The Village is pursuing modifications to the financial software to effectively record and monitor the fiscal budget.

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# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF NORTH RANDALL**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 2/23/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)