



Dave Yost • Auditor of State

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Fiduciary Fund Type - For the Year Ended December 31, 2013.....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Fiduciary Fund Type - For the Year Ended December 31, 2012.....	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	23

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Dave Yost • Auditor of State

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 and related notes of Village of North Randall, Cuyahoga County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or 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 combined cash balances of the Village of North Randall, Cuyahoga County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014, 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.



Dave Yost
Auditor of State
Columbus, Ohio

December 23, 2014

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$39,978	\$57,653	\$120,561		\$218,192
Municipal Income Tax	1,808,514	199,946			2,008,460
Intergovernmental	616,067	38,478		\$500,000	1,154,545
Charges for Services	65,168	16,018			81,186
Fines, Licenses and Permits	224,525	5,780			230,305
Miscellaneous	38,284				38,284
Total Cash Receipts	<u>2,792,536</u>	<u>317,875</u>	<u>120,561</u>	<u>500,000</u>	<u>3,730,972</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	925,362	24,597			949,959
Community Environment	103,270	23			103,293
Basic Utility Service	52,380				52,380
Transportation	2,869	12,072			14,941
General Government	1,239,662	4,250			1,243,912
Debt Service:					
Redemption of Principal			60,000		60,000
Interest and Fiscal Charges			111,600		111,600
Total Cash Disbursements	<u>2,323,543</u>	<u>40,942</u>	<u>171,600</u>	<u>0</u>	<u>2,536,085</u>
Total Receipts Over/(Under) Disbursements	<u>468,993</u>	<u>276,933</u>	<u>(51,039)</u>	<u>500,000</u>	<u>1,194,887</u>
Other Financing Receipts / (Disbursements):					
Sale of Bonds					0
Sale of Fixed Assets	82,057		21,345		103,402
Total Other Financing Receipts / (Disbursements)	<u>82,057</u>	<u>0</u>	<u>21,345</u>	<u>0</u>	<u>103,402</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>551,050</u>	<u>276,933</u>	<u>(29,694)</u>	<u>500,000</u>	<u>1,298,289</u>
Fund Cash Balances, January 1, 2013	<u>(1,185)</u>	<u>116,066</u>	<u>(214,149)</u>	<u>179,555</u>	<u>80,287</u>
Fund Cash Balances, December 31, 2013					
Restricted		392,999		679,555	1,072,554
Unassigned (Deficit)	549,865		(243,843)		306,022
Fund Cash Balances, December 31, 2013	<u>\$549,865</u>	<u>\$392,999</u>	<u>(\$243,843)</u>	<u>\$679,555</u>	<u>\$1,378,576</u>

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
Fines, Licenses and Permits	\$206,957
<i>Total Operating Cash Receipts</i>	206,957
Operating Cash Disbursements	
Other	205,235
<i>Total Operating Cash Disbursements</i>	205,235
<i>Operating Income (Loss)</i>	1,722
<i>Fund Cash Balances, January 1</i>	15,805
<i>Fund Cash Balances, December 31</i>	\$17,527

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

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$37,351	\$53,638	\$98,617		\$189,606
Municipal Income Tax	1,033,070	114,498			1,147,568
Intergovernmental	205,935	67,955			273,890
Charges for Services	45,512				45,512
Fines, Licenses and Permits	367,757	7,746			375,503
Miscellaneous	46,098				46,098
Total Cash Receipts	1,735,723	243,837	98,617	\$0	2,078,177
Cash Disbursements:					
Current:					
Security of Persons and Property	913,567	241,795			1,155,362
Community Environment	136,279				136,279
Leisure Time Activities	14,494	98			14,592
Basic Utility Service	117,874				117,874
Transportation		40,618			40,618
General Government	685,199				685,199
Debt Service:					
Redemption of Principal			60,000		60,000
Interest and Fiscal Charges	6,624		118,200		124,824
Total Cash Disbursements	1,874,037	282,511	178,200	0	2,334,748
Total Receipts Over/(Under) Disbursements	(138,314)	(38,674)	(79,583)	0	(256,571)
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets	2,650		23,479		26,129
Total Other Financing Receipts / (Disbursements)	2,650	0	23,479	0	26,129
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(135,664)	(38,674)	(56,104)	0	(230,442)
Fund Cash Balances, January 1, 2012	134,479	154,740	(158,045)	179,555	310,729
Fund Cash Balances, December 31, 2012	(\$1,185)	\$116,066	(\$214,149)	\$179,555	\$80,287

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
Fines, Licenses and Permits	\$269,829
<i>Total Operating Cash Receipts</i>	269,829
Operating Cash Disbursements	
Other	286,416
<i>Total Operating Cash Disbursements</i>	286,416
<i>Operating Income (Loss)</i>	(16,587)
<i>Fund Cash Balances, January 1</i>	32,392
<i>Fund Cash Balances, December 31</i>	\$15,805

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of 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's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters as the Auditor of State prescribes or permits.

C. Cash 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 invested in STAR Ohio (the State Treasurer's investment pool) which is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

COPS Justice Grant Fund – This fund receives intergovernmental revenue to assist the police department.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Police Levy Fund – This fund receives property tax and state money to provide police protection services.

Fire Levy fund – This fund receives property tax and state money to provide fire protection services.

3. Debt Service Fund

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

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through trust funds). The Village had the following significant capital project fund:

General Capital Improvements Fund – This fund received proceeds from the Casino Operator Settlement for being the home of Thistledown Racino.

5. Fiduciary Funds (Agency Funds)

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object group (salaries and other) level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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.

4. Assigned

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2013	2012
Demand deposits	\$1,394,376	\$95,365
Total deposits	1,394,376	95,365
Investments		
STAR Ohio	727	727
Total deposits and investments	\$1,395,103	\$96,092

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

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and December 31, 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,449,600	\$2,874,593	\$1,424,993
Special Revenue	182,968	317,875	134,907
Debt Service	101,639	141,906	40,267
Capital Projects	0	500,000	500,000
Total	<u>\$1,734,207</u>	<u>\$3,834,374</u>	<u>\$2,100,167</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,703,527	\$2,323,543	(\$620,016)
Special Revenue	281,358	40,942	240,416
Debt Service	120,000	171,600	(51,600)
Total	<u>\$2,104,885</u>	<u>\$2,536,085</u>	<u>(\$431,200)</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,300,240	\$1,738,373	\$438,133
Special Revenue	236,793	243,837	7,044
Debt Service	1,820,612	122,096	(1,698,516)
Total	<u>\$3,357,645</u>	<u>\$2,104,306</u>	<u>(\$1,253,339)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,456,865	\$1,874,037	(\$417,172)
Special Revenue	394,746	282,511	112,235
Debt Service	178,000	178,200	(200)
Total	<u>\$2,029,611</u>	<u>\$2,334,748</u>	<u>(\$305,137)</u>

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Revised Code Section 5705.10 (H) requires, in part, that money paid into any fund shall be used only for the purposes for which that fund is established. The Village had one negative cash fund balance at December 31, 2013 and two negative cash fund balances at December 31, 2012.

Contrary to Ohio Revised Code Section 5705.41(D), expenditures were made prior to receiving the fiscal officer's certification.

Contrary to Ohio Revised Code Section 5705.36 (A), the Village did not amend appropriations and reduce the certificate of estimated resources for three funds for the year ended December 31, 2013 and five funds for the year ended December 31, 2012.

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources in seven funds in each year for the years ended December 31, 2013 and December 31, 2012.

Contrary to Ohio Revised Code Section 5705.41(B), expenditures exceeded appropriations for three appropriation line items for the year ended December 31, 2013 and seven appropriation line items for the year ended December 31, 2012.

4. PROPERTY TAX

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

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

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

5. LOCAL INCOME TAX

The Village 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 Cleveland 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.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT

In 2011, the Village issued a six year term (URTB) for \$1,477,500 with an interest rate of 8% to retire the 2010 URTB issuance in the amount of \$1,582,500. The (URTB) issued 2011 matures in 2017.

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

Year	Urban Renewal Temporary Bonds
2014	\$168,600
2015	163,800
2016	159,000
2017	1,276,500
Total	<u>\$1,767,900</u>

7. RETIREMENT SYSTEMS

The Village's certified fire fighters and full-time police officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10 percent of their wages. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police member's wages and 24 percent of full-time fire fighters wages respectively. For 2013 and 2012, OPERS members contributed 10 percent, of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

Effective August 3, 1992, any new part-time Village fire fighters are no longer covered by Ohio Public Employees Retirement System and must contribute to social security. The Village's liability is 6.2 percent of wages paid.

8. RISK MANAGEMENT

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

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. RISK MANAGEMENT (Continued)

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, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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 retained earnings at December 31: 2013 and 2012.

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

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



Dave Yost • Auditor of State

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 Village of North Randall, Cuyahoga County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2014, wherein we noted the Village followed the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-005 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-004.

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 audit the Village's responses 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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 23, 2014

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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<i>Finding Number</i>	2013-001
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NONCOMPLIANCE

Negative Cash Balance

Ohio Rev. Code Section 5705.10 (H) requires, in part, that money paid into any fund shall be used only for the purposes for which that fund is established.

At December 31, 2012 the Village carried a negative cash fund balance in the following funds:

Fund Number/Fund Name	Negative Cash Balance
1000 - General Fund	(\$1,185)
3101 - G.O. Bond Fund	(\$214,149)

At December 31, 2013 the Village carried a negative cash fund balance in the following fund:

Fund Number/Fund Name	Negative Cash Balance
3101 - G.O. Bond Fund	(\$243,843)

As a result, a negative fund balance indicates that money from one restricted fund was used to cover the expenses of another fund.

We recommend the Village review the activities of these funds periodically to ensure that adequate fund balances are maintained and to ensure that monies paid into a fund are used for the purposes for which the fund is established.

Official's Response:

The Village will monitor grant reimbursements in order that funds do not have negative cash balances at year-end. The Village is reviewing the procedures for petitioning the County Court to move the funds from the sale of fixed assets in the capital projects fund to the general fund and eventually be applied to the debt service and other funds deficits.

<i>Finding Number</i>	2013-002
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NONCOMPLIANCE

Expenditures in Excess of Appropriations

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been appropriated as provided in Chapter 5705 of the Revised Code.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

<i>Finding Number</i>	2013-002 (Continued)
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The following funds had expenditures in excess of appropriations as of December 31, 2013:

Fund Number/Fund Name	Appropriations	Expenditures	Variance
1000 - General	\$1,703,526	\$2,323,543	(\$620,017)
2011 - S.C.M.R	\$8,158	\$11,288	(\$3,130)
3101 - G.O.B	\$120,000	\$171,600	(\$51,600)

The following funds had expenditures in excess of appropriations as of December 31, 2012:

Fund Number/Fund Name	Appropriations	Expenditures	Variance
1000 - General	\$1,456,865	\$1,874,037	(\$417,172)
2011 - Street Main.	\$23,145	\$37,571	(\$14,426)
2021 State Highway	\$2,255	\$2,657	(\$401)
2063 - COPS Grant	\$22,259	\$32,532	(\$10,273)
2131 - Police Pension	\$6,000	\$9,862	(\$3,862)
2904 - Fire Levy	\$96,000	\$205,215	(\$109,215)
3101 - General Obligation Bond	\$178,000	\$178,200	(\$200)

We recommend the Village verify that all expenditures and encumbrances have proper appropriation authority prior to expending funds or certifying encumbrances and compare appropriations to expenditures and encumbrances in all funds which are legally required to be budgeted, at the legal level of control.

Official's Response:

The Village will monitor expenditures and appropriations to ensure that final expenditures plus encumbrances do not exceed authorized appropriations.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

<i>Finding Number</i>	2013-003
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NONCOMPLIANCE

Appropriations limited by Estimated Resources

Ohio Rev. Code Section 5705.39 states, in part, the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure. The following funds had appropriations that exceeded estimated resources at year end as amounts were not certified by the County Auditor since they were not filed with the Budget Commission.

The following funds had appropriations exceeding estimated resources at December 31, 2013:

Fund Number/Fund Name	Estimated Revenues and Unencumbered Fund Balances	Current Year Appropriations	Variance
General Fund - 1000	\$1,449,600	\$1,703,526	(\$203,926)
State Highway - 2021	\$9,767	\$10,000	(\$233)
Police Levy - 2903	\$22,104	\$30,000	(\$7,896)
Fire Levy - 2904	\$22,104	\$150,000	(\$127,896)
Misc. Fire Dept. - 2905	\$0	\$50,000	(\$50,000)
Physical Activity - 2908	\$836	\$1,700	(\$864)
G.O.B. - 3101	\$101,638	\$120,000	(\$18,362)

The following fund had appropriations exceeding estimated resources at December 31, 2012:

Fund Number/Fund Name	Estimated Revenues and Unencumbered Fund Balances	Current Year Appropriations	Variance
General Fund - 1000	\$1,300,239	\$1,456,865	(\$156,626)
S.C.M.R. - 2011	\$15,500	\$23,145	(\$7,645)
State Highway - 2021	\$2,250	\$2,255	(\$5)
Law Enforce. Trust - 2091	\$2,000	\$20,000	(\$18,000)
Fire Levy - 2904	\$61,718	\$96,000	(\$34,282)
Misc. Fire Dept. - 2905	\$0	\$25,000	(\$25,000)
SAFER GRANT - 2910	\$0	\$171,986	(\$171,986)

This weakness could allow expenditures to exceed the total available fund balances plus current year revenues. Further, this weakness may cause a loss of accountability over the budgetary process and could reduce the effectiveness of monitoring controls.

We recommend the Village monitor appropriations to estimated revenues in all funds which are legally required to be budgeted to ensure compliance with the above requirements. The Village should take corrective action when appropriate.

Official's Response:

The Village will monitor appropriations and estimated receipts to ensure that total appropriations from each fund do not exceed total estimated revenue.

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(CONTINUED)

<i>Finding Number</i>	2013-004
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NONCOMPLIANCE

Proper Encumbrance of Funds

Ohio Rev. Code Section 5705.41(D), provides that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

"Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. Council has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not extended beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

In 30 of 46 transactions tested (65 percent) were not encumbered prior to the purchase commitment, without using the above. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used following the aforementioned guidelines.

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(CONTINUED)

<i>Finding Number</i>	2013-004 (Continued)
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Official's Response:

The Village has taken action to certify purchases to which section 5705.41(D) applies. The Village is using purchase orders and "Then and Now" certificates when necessary.

<i>Finding Number</i>	2013-005
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MATERIAL WEAKNESS

Cash Reconciliation Procedures

Cash reconciliation procedures had not been effectively and timely performed during the audit period as evidenced by unadjusted variances at month end. Adjustments were not addressed in a timely manner, inundating the reconciliation process with undetected errors from prior reconciliation efforts. The following issues were noted in the Village reconciliations:

- Unfunded payroll expenses of \$68,092 at December 31, 2013, this adjustment should not be necessary with a positive general fund balance at December 31, 2013;
- The Village had many outstanding checks from the general operating account and payroll account for deductions written to governmental agencies and vendors which have timely depositing policies, however the checks remain outstanding for long periods of time, this fact indicates the Village might not be properly remitting these checks and instead using these funds for cash flow purposes, should an outstanding vendor balance become a priority, such as a disconnection or termination of service. The Village has now established a combined fund balance of \$1,378,576 at December 31, 2013 and should void stale outstanding checks and begin timely remitting payments; and
- The Village had various checks written which were replaced with ACH debits and the related outstanding checks were not properly removed from the outstanding check listings.

These issues led to errors in the reconciliation not being timely detected.

Effective cash reconciliation procedures provide the Village with a high degree of assurance regarding the accuracy and validity of presentations of Village cash activities and fund balances. The Village should implement sufficient procedures to ensure reliable reconciliation procedures to substantiate the cash position (fund balances) of the Village. These procedures should include effective measures to detect all monthly adjustments and timely mitigation of all adjustments between the Village and its operating depository balances. The Village should ensure the accuracy and validity if the reconciliation procedures and presentations.

Official's Response:

The Village is currently reconciling the bank accounts on a monthly basis, and the reconciliations are reviewed by the Mayor.

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**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	ORC 5705.41(D) – Proper Certification	No	Repeated as Finding 2013-004
2011-002	ORC 5705.10 - Negative Cash Fund Balances	No	Repeated as Finding 2013-001
2011-003	ORC 145.51 (A) & (B) ORC 742.35 – Pension Payments	Yes	
2011-004	ORC 5705.39 – Appropriations Limited by Estimated Resources	No	Repeated as Finding 2013-003
2011-005	ORC 5705.36 (A) – Appropriations Limited by Actual Revenues	No	Finding No Longer Valid
2011-006	ORC 5705.41(B), (D) – Expenditures Plus Encumbrances Exceeded Appropriations	No	Repeated as Finding 2013-002
2011-007	Cash Reconciliation	No	Repeated as Finding 2013-005
2011-008	Accounting Information Systems Controls	No	Finding No Longer Valid
2011-009	Financial Reporting	No	Partially corrected – Moved to management letter

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Dave Yost • Auditor of State

VILLAGE OF NORTH RANDALL

CUYAHOGA 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
DECEMBER 31, 2014**