



**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008



Dave Yost • Auditor of State

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

July 15, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of North Randall, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also to presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the GAAP presentation requirements. The Auditor of State permits, but does not require the Village to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of North Randall, Cuyahoga County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The accompanying financial statements have been prepared assuming that the Village will continue as a going concern. As discussed in Note 9 to the financial statements, the Village has accumulated unpaid bills which if processed would result in a negative fund balance that raise doubt about its ability to continue as a going concern. Note 9 describe Management's lack of a formal payment plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

July 15, 2011

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Agency	
Cash Receipts:						
Property Tax and Other Local Taxes	\$33,118	\$62,010	\$105,311	\$0	\$0	\$200,439
Municipal Income Tax	910,346	88,447	0	0	0	998,793
Intergovernmental Receipts	75,638	31,109	0	0	0	106,747
Charges for Services	43,995	10,645	0	0	0	54,640
Fines, Licenses, and Permits	184,985	11,232	0	0	251,013	447,230
Earnings on Investments	1	0	0	6	0	7
Miscellaneous	45,102	1,588	0	0	0	46,690
Total Cash Receipts	1,293,185	205,031	105,311	6	251,013	1,854,546
Cash Disbursements:						
Current:						
Security of Persons and Property	580,083	157,213	0	0	0	737,296
Leisure Time Activities	12,556	307	0	0	0	12,863
Community Environment	42,339	0	0	0	0	42,339
Basic Utility Services	48,450	0	0	0	0	48,450
Transportation	463	29,350	0	0	0	29,813
General Government	644,497	445	0	0	246,153	891,095
Debt Service:						
Interest Payments	0	0	188,845	0	0	188,845
Capital Outlay	0	0	0	100	0	100
Total Cash Disbursements	1,328,388	187,315	188,845	100	246,153	1,950,801
Total Receipts Over/(Under) Disbursements	(35,203)	17,716	(83,534)	(94)	4,860	(96,255)
Other Financing Receipts and (Disbursements):						
Sale of Fixed Assets	0	0	0	29,882	0	29,882
Transfers-In	0	0	20,652	0	0	20,652
Transfers-Out	(20,652)	0	0	0	0	(20,652)
Total Other Financing Receipts/(Disbursements)	(20,652)	0	20,652	29,882	0	29,882
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(55,855)	17,716	(62,882)	29,788	4,860	(66,373)
Fund Cash Balances, January 1, 2009	69,981	94,823	0	98,631	14,546	277,981
Fund Cash Balances, December 31, 2009	\$14,126	\$112,539	(\$62,882)	\$128,419	\$19,406	\$211,608

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$153,635	\$71,287	\$0	\$0	\$224,922
Municipal Income Tax	1,172,932	0	0	0	1,172,932
Intergovernmental Receipts	171,212	37,849	0	0	209,061
Charges for Services	42,507	9,443	0	0	51,950
Fines, Licenses, and Permits	203,835	10,150	0	223,136	437,121
Earnings on Investments	26	0	30	0	56
Miscellaneous	38,252	139	0	0	38,391
Total Cash Receipts	1,782,399	128,868	30	223,136	2,134,433
Cash Disbursements:					
Current:					
Security of Persons and Property	910,508	76,452	0	0	986,960
Leisure Time Activities	12,247	167	0	0	12,414
Community Environment	46,344	0	0	0	46,344
Basic Utility Services	53,240	0	0	0	53,240
Transportation	0	25,761	0	0	25,761
General Government	641,318	25,863	2,220	209,940	879,341
Debt Service:					
Principal Payments	1,578,750	0	0	0	1,578,750
Interest Payments	63,551	0	0	0	63,551
Total Cash Disbursements	3,305,958	128,243	2,220	209,940	3,646,361
Total Receipts Over/(Under) Disbursements	(1,523,559)	625	(2,190)	13,196	(1,511,928)
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	800	0	22,066	0	22,866
Sale of Bonds	1,582,500	0	0	0	1,582,500
Transfers-In	0	625	0	0	625
Transfers-Out	(625)	0	0	0	(625)
Total Other Financing Receipts/(Disbursements)	1,582,675	625	22,066	0	1,605,366
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	59,116	1,250	19,876	13,196	93,438
Fund Cash Balances, January 1, 2008	10,865	93,573	78,755	1,350	184,543
Fund Cash Balances, December 31, 2008	\$69,981	\$94,823	\$98,631	\$14,546	\$277,981

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, 2009 AND 2008**

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. The Village also invested in a money market mutual fund which is recorded at share values the mutual fund reports.

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:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline and motor vehicle taxes from the State for constructing, maintaining and repairing Village streets.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Police Disability Pension Fund – This fund receives property tax and state money to provide Village police officers with pension benefits.

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. 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 sale of fixed assets.

4. 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. Unencumbered appropriations lapse at year end.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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 2009 and 2008 budgetary activity appears in Note 3.

F. 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.

G. 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:

	2009	2008
Demand deposits	\$210,427	\$274,975
Total deposits	210,427	274,975
STAR Ohio	725	723
Victory Money Market Mutual Fund	456	2,283
Total investments	1,181	3,006
Total deposits and investments	\$211,608	\$277,981

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and December 31, 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,900,341	\$1,293,185	(\$607,156)
Special Revenue	164,679	205,031	40,352
Debt Service	200,000	125,963	(74,037)
Capital Projects	60,000	29,888	(30,112)
Agency	182,116	251,013	68,897
Total	\$2,507,136	\$1,905,080	(\$602,056)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,263,515	\$1,349,040	(\$85,525)
Special Revenue	256,955	187,315	69,640
Debt Service	1,771,345	188,845	1,582,500
Capital Projects	36,441	100	36,341
Agency	65,000	246,153	(181,153)
Total	\$3,393,256	\$1,971,453	\$1,421,803

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,960,341	\$3,365,699	\$1,405,358
Special Revenue	164,679	129,493	(35,186)
Capital Projects	0	22,096	22,096
Agency	182,116	223,136	41,020
Total	\$2,307,136	\$3,740,424	\$1,433,288

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,191,055	\$3,306,583	(\$115,528)
Special Revenue	292,145	128,243	163,902
Capital Projects	92,087	2,220	89,867
Agency	100,000	209,940	(109,940)
Total	\$3,675,287	\$3,646,986	\$28,301

Contrary to Ohio Revised Code Section 5705.41(D), 55 percent of expenditures tested were made prior to receiving the fiscal officer's certification.

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources in several funds for the years ended December 31, 2009 and December 31, 2008.

Contrary to Ohio Revised Code Section 5705.41(B)(D), expenditures plus encumbrances exceeded appropriations for one appropriation line items for the year ended December 31, 2009 and two appropriation line items for the year ended December 31, 2008.

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 payment is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners for 2008 and only against local and inter-exchange telephone companies for 2009, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. LOCAL INCOME TAX

During fiscal year 2008, the Village levied a municipal income tax of 2.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. In November 2008, the residents of the Village voted to increase the income tax rate from 2.50% to 2.75%, starting in fiscal year 2009. The additional 0.25% was allocated to the operations of the Fire Department.

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.

6. DEBT

In 2008, the Village issued a short term Urban Renewal Temporary Bond (URTB) for \$1,582,500 with an interest rate of 12% to retire a 2007 URTB issuance in the amount of \$1,578,750. In 2009, the Village negotiated with the bond holder to extend the maturity dated of the 2008 issuance to January 29, 2010.

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 2009 and 2008, OP&F participants contributed 10 percent of their wages. For 2009 and 2008, 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 2009 and 2008, OPERS members contributed 10 percent, of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village was delinquent in the employer contribution amount of \$80,282 to OP&F and \$52,201 to OPERS as of December 31, 2009. OP&F collected the amount due by certifying the amount to the County Budget Commission in 2010. OPERS also certified the amount due to the County Budget Commission; however the Village remains delinquent in the amount of \$32,765 to OPERS as of the date of this report.

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

Through December 31, 2008, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. RISK MANAGEMENT (Continued)

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), 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 retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Village does not participate in this coverage.

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, 2009 and 2008, and include amounts for both OPRM and OPHC:

	2009 OPRM	2009 OPHC	2009	2008
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	(4,852,485)	(1,253,617)	(6,106,102)	(5,286,781)
Members' Equity	\$6,323,701	\$105,185	\$6,428,886	\$5,184,333

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. RISK MANAGEMENT (Continued)

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

9. POSSIBLE FINANCIAL DISTRESS

As of December 31, 2009, the Village has a General Fund balance of \$14,126 and \$197,482 in the remaining funds; however the Village has outstanding obligations to various vendors, pension boards and other governmental entities totaling \$680,273. The most significant outstanding obligations include the Ohio Bureau of Workers Comp (OBWC) \$257,121; (as of July 15, 2011 the Village has established a repayment plan with OBWC); Ohio Police and Fire Pension \$128,288; however as of December 31, 2010, the Village is current with Ohio Police and Fire Pension contributions; the Ohio Public Employees Retirement System \$91,241; and the Cleveland Electric Illuminating Company \$98,732, the remaining \$104,891 was owed to various vendors and governmental entities. A portion of the outstanding obligation amount is attributable to the accumulation in 2009 of over \$40,000 in penalties, interest and delinquent fees. Although, the Village had not adopted a balanced budget for 2010 and 2011, the Village is aware of the situation and is making attempts to reduce expenditures in the General Fund and sell various properties owned by the Village and establish repayment plans with various vendors. Additionally, on June 28, 2011, the State of Ohio passed legislation that authorized video lottery terminals at the seven Ohio race tracks, including Thistledown Racetrack. The addition of video lottery terminals at Thistledown Racetrack may create a significant number of jobs and may improve the Village's income tax base.

10. SUBSEQUENT EVENTS

On January 29, 2010, the Village issued a short term URTB for \$1,582,500 with an interest rate of 11.676% to retire the 2008 issuance. The 2010 URTB will mature on October 7, 2010.

On October 7, 2010, the Village issued a short term Urban Renewal Temporary Bond (URTB) for \$1,537,500 with an interest rate of 8% to retire the January 2010 issuance in the amount of \$1,582,750. This bond is payable in the following installments: \$15,000 on February 7, 2011; \$15,000 on April 7, 2011; \$15,000 on July 7, 2011 and the remaining balance on October 7, 2011.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Village of North Randall, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 15, 2011, wherein we commented on the Village's accumulated unpaid bills which if processed would result in a negative fund balance that raise doubt about its ability to continue as a going concern. We also noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-008 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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-007.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 15, 2011.

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.

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

July 15, 2011

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2009-001

Noncompliance Citation

Proper Certification

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

1. "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. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of 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.

2. 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.

3. 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 to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifty-five percent (33 out of 60) of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. 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. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDING NUMBER 2009-001 (Continued)

Noncompliance Citation (Continued)

Proper Certification (Continued)

We recommend the Village certify purchases to which section 5705.41(D) applies. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that 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. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

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.

FINDING NUMBER 2009-002

Noncompliance Citation

Appropriations Limited by Estimated Resources

Ohio Revised 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 certified by the county budget commission.

	<u>Estimated Resources</u>	<u>Total Appropriations</u>	<u>Variance</u>
At December 31, 2008			
<i>Special Revenue Funds</i>			
Police and Fire Pension Fund	\$71,836	\$120,000	(\$48,164)
Northfield/Emery Road Fund	3,827	4,827	(1,000)
<i>Debt Service Fund</i>			
Village Bond Fund	0	1,771,345	(1,771,345)
<i>Capital Projects Fund</i>			
Fire Capital Projects	0	6,000	(6,000)
At December 31, 2009			
<i>Special Revenue Funds</i>			
Police and Fire Pension Fund	72,248	120,000	(47,752)
<i>Debt Service Fund</i>			
Village Bond Fund	0	1,771,345	(1,771,345)

This may lead to the Village over expending available resources.

We recommend the Village compare appropriations to estimated resources in all funds which are legally required to be budgeted to ensure compliance with the above requirements. This comparison should be made on a monthly basis at a minimum.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDING NUMBER 2009-002 (Continued)

Appropriations Limited by Estimated Resources (Continued)

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.

FINDING NUMBER 2009-003

Noncompliance Citation

Expenditures Plus Encumbrances Exceeding Appropriations

Ohio Revised Code Section 5705.41(B)(D) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. Budgetary expenditures as enacted by the Village may not exceed appropriations at the legal level of control for all funds. The following funds had final expenditures plus encumbrances exceeding authorized appropriations at the legal level of budgetary control at year end:

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
At December 31, 2008			
<i>General Fund</i>			
Security of Persons and Property	\$654,449	\$775,507	(\$121,058)
General Government	281,710	460,002	(178,292)
At December 31, 2009			
<i>General Fund</i>			
General Government	282,073	558,728	(276,655)

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 plus encumbrances in all funds which are legally to be budgeted, at the legal level of control (fund, program, object group), to ensure compliance with the above requirement.

Official's Response:

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

FINDING NUMBER 2009-004

Noncompliance Citation

Financial Report Filing

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year, within sixty days after the close of the fiscal year for those public offices not reporting pursuant to generally accepted accounting principles. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part, this report shall contain the following:

- Amount of collections and receipts, and accounts due from each source; and
- Amount of expenditures for each purpose.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDING NUMBER 2009-004 (Continued)

Financial Report Filing (Continued)

Ohio Administrative Code Section 117-2-03(D) further clarifies the filing requirements of Ohio Revised Code Section 117.38. This section provides that all local public offices shall file their annual financial reports with the Auditor of State.

By not preparing the report the Village does not have the ability to properly monitor its financial status and any public office not filing the report by the required date shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750.

The Village did not file its financial statements timely for the years ended December 31, 2009 and 2008 as required above, however the Village did file the 2009 and 2008 financial statements on May 3, 2011.

We recommend the Village organize its financial recordkeeping, develop tickler files as a reminder of filing dates and take all other steps necessary to file its financial statements within the prescribed time period. If these financial statements are not filed within the prescribed timetable the Village may be assessed a late filing penalty.

Officials Response:

The Village will monitor its financial reporting in order to comply with the requirement.

FINDING NUMBER 2009-005

Noncompliance Citation

Pension Payments

Ohio Revised Code Section 145.51 (A) requires each employer to submit payments to the Ohio Public Employee Retirement System. Ohio Revised Code Section 145.51 (B) states that all employer obligations described in this section must be received by the retirement system not later than the thirtieth day after the last day of the calendar month for which related member contributions are withheld. Ohio Revised Code Section 145.51 (E) states that upon certification by the board to the director of budget and management, or to the county auditor, of an amount due from an employer within any county who is subject to this chapter, by reason of such employer's delinquency in making payments into the employers' accumulation fund for past billings, such amount shall be withheld from such employer from any funds subject to the control of the director or the county auditor to such employer and shall be paid to the public employees retirement system.

Ohio Revised Code Section 742.35 requires each employer to submit payments to the Ohio Police and Fire Pension Fund. All employer obligations described in this section must be received by the retirement system not later than the sixtieth day after the last day of the calendar quarter. Upon certification by the board to the county auditor of an amount due from any employer within the county, by reason of such employer's delinquency in making employer contribution payments to the fund for past months, such amount shall be withheld from such employer from any funds in the hands of the county treasurer for distribution to such employer. Upon receipt of such certification, the county auditor shall draw a warrant against such funds in favor of the fund for the amount.

The Village made no employer contribution payments in 2008 and 2009 to the pension systems. The employee may not receive proper credit for time worked and the Village may have to pay penalties and interest. The pension systems had to certify the amount owed, including interest and penalties for 2008 and 2009 with the Cuyahoga County Auditor after each year end. The County Auditor paid property tax collected for the Village to the Retirement Systems based on the certification.

Officials Response:

The Village has reduced payroll expenditures and staffing in order to comply with the reporting requirement.

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

FINDING NUMBER 2009-006

Noncompliance Citation

Proper Procedures to Account for Transfers *

Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable interfund transfers. In certain circumstances, which are detailed in Ohio Revised Code Section 5705.14, transfers from funds other than the General Fund may be made by resolution of the taxing authority, passed with a two-thirds affirmative vote. In addition to transfers from the General Fund and those permitted by Ohio Revised Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Revised Code Section 5705.15.

Except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of the members (i.e., a two thirds vote is not required for General Fund transfers though a resolution is required).

During fiscal years 2008 and 2009, we noted the Village transferred \$59,801 and \$62,882, respectively, from the Capital Projects fund to the Debt Service fund. These transfers do not meet the criteria for proper transfers set forth in Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16 and therefore the financial statements have been adjusted to only show transfers meeting the above Ohio Revised Code Sections.

We recommend the Village make transfers only in accordance with the Ohio Revised Code with respect to the transfer of moneys from the Capital Improvement Fund.

Officials Response:

The Village will monitor transfers in order to comply with sections 5705.14, 5705.15 and 5705.16.

FINDING NUMBER 2009-007

Noncompliance Citation

Negative Cash Fund Balances

Ohio Revised Code Section 5705.10 states money paid into any fund shall be used only for the purposes for which the fund is established.

During our testing we noted two funds had negative cash fund balances at December 31, 2009.

<u>Fund</u>	<u>Negative Fund Balance</u>
COPS Grant Fund	(\$13,339)
Debt Service Fund	(62,882)

A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

We recommend the Village utilize cash advances to these funds, or other appropriate measures to ensure negative cash fund balances do not exist at year end.

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

FINDING NUMBER 2009-007 (Continued)

Negative Cash Fund Balances (Continued)

Officials Response:

The Village will monitor grant reimbursements in order that funds do not have negative cash balances at year-end.

FINDING NUMBER 2009-008

Material Weakness

Cash Reconciliation

Reconciliation of the Village's bank accounts with its cash ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the Village. A necessary step in internal control over financial reporting is to determine the accuracy of both the balance of the bank and the balance of "cash" in the accounting records. As part of the bank reconciliation, all differences between the balance appearing on the bank statements and the balance of cash according to the Village's records should be accounted for.

We noted the Village does not perform a monthly bank-to-book reconciliation. The Village only prepares a Village-wide bank-to-book reconciliation at the close of the fiscal year. In the review of the year-end reconciliation, we noted the Village had a bank over book difference of \$281. Failure to reconcile bank accounts and resolve discrepancies in a timely manner may result in errors in budgeting and financial reporting.

We recommend completing a monthly Village-wide cash reconciliation which compares reconciled bank and investment balances to the Village book balances. Also, the Mayor should perform an additional review of the Village-wide cash and investment reconciliation. This should include reviewing support for reconciling items.

Officials Response:

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 5705.41(D) – Proper Encumbering	No	Repeated as Finding 2009-001
2007-002	ORC 5705.39 – Appropriations Limited by Estimated Resources	No	Repeated as Finding 2009-002
2007-003	ORC 5705.41(B) – Expenditures Plus Encumbrances Exceeded Appropriations	No	Repeated as Finding 2009-003
2007-004	ORC 117.38 – Filing Annual financial reports	No	Repeated as Finding 2009-004
2007-005	ORC 145.51 (A) & (B) ORC 742.35 – Payments to Pension Payments	No	Repeated as Finding 2009-005

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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
AUGUST 16, 2011