



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF NORTH RANDALL  
CUYAHOGA COUNTY

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# Mary Taylor, CPA

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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 24, 2009

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# Mary Taylor, CPA

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, 2007 and December 31, 2006. 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. During 2006, the Village processed its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. In addition, the Auditor of State has billed the Village approximately \$26,816 for audit services provided for prior fiscal years and as of the date of this report, the full amount remains unpaid. AICPA Code of Professional Conduct, Section 100, ET Section 191 normally considers unpaid audit fees related to periods more than one year prior to the current period under audit to impair the independence of the Auditor of State. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions for the collection of unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located. 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, 2007 and December 31, 2006 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, 2007 and December 31, 2006, 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, 2007 and December 31, 2006, 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 10 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 10 describes Management's lack of 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 April 24, 2009, 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.



**Mary Taylor, CPA**  
Auditor of State

April 24, 2009



**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, 2007**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$186,657	\$88,886	\$0	\$0	\$275,543
Municipal Income Tax	1,262,075	0	0	0	1,262,075
Intergovernmental Receipts	110,908	43,817	0	0	154,725
Charges for Services	52,761	8,569	9,000	0	70,330
Fines, Licenses, and Permits	220,970	12,975	0	65,911	299,856
Earnings on Investments	23	9	161	0	193
Miscellaneous	43,397	1,750	0	0	45,147
<b>Total Cash Receipts</b>	<b>1,876,791</b>	<b>156,006</b>	<b>9,161</b>	<b>65,911</b>	<b>2,107,869</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	986,156	155,286	0	0	1,141,442
Leisure Time Activities	13,876	1,471	0	0	15,347
Community Environment	9,054	0	74,295	0	83,349
Basic Utility Services	67,519	0	0	0	67,519
Transportation	0	26,497	0	0	26,497
General Government	727,541	7,534	0	67,111	802,186
Debt Service:					
Principal Payments	1,575,000	0	0	0	1,575,000
Interest Payments	64,396	0	0	0	64,396
Capital Outlay	0	0	1,015,591	0	1,015,591
<b>Total Cash Disbursements</b>	<b>3,443,542</b>	<b>190,788</b>	<b>1,089,886</b>	<b>67,111</b>	<b>4,791,327</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(1,566,751)</b>	<b>(34,782)</b>	<b>(1,080,725)</b>	<b>(1,200)</b>	<b>(2,683,458)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Bonds	1,578,750	0	0	0	1,578,750
Sale of fixed Assets	0	0	1,126,114	0	1,126,114
Advances-In	18,900	30,084	1,000	0	49,984
Advances-Out	(31,084)	(17,900)	(1,000)	0	(49,984)
Transfers-In	0	70,876	23,538	0	94,414
Transfers-Out	(94,414)	0	0	0	(94,414)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>1,472,152</b>	<b>83,060</b>	<b>1,149,652</b>	<b>0</b>	<b>2,704,864</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(94,599)</b>	<b>48,278</b>	<b>68,927</b>	<b>(1,200)</b>	<b>21,406</b>
<b>Fund Cash Balances, January 1, 2007</b>	<b>105,464</b>	<b>45,295</b>	<b>9,828</b>	<b>2,550</b>	<b>163,137</b>
<b>Fund Cash Balances, December 31, 2007</b>	<b>\$10,865</b>	<b>\$93,573</b>	<b>\$78,755</b>	<b>\$1,350</b>	<b>\$184,543</b>

*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, 2006**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$181,492	\$77,863	\$0	\$0	\$259,355
Municipal Income Tax	1,476,449	0	0	0	1,476,449
Special Assessments	4,602	0	0	0	4,602
Intergovernmental Receipts	127,899	90,982	26,676	0	245,557
Charges for Services	174,788	50	24,143	0	198,981
Fines, Licenses, and Permits	186,931	9,221	0	185,420	381,572
Earnings on Investments	37	29	0	0	66
Miscellaneous	15,381	6,109	5,000	0	26,490
<b>Total Cash Receipts</b>	<b>2,167,579</b>	<b>184,254</b>	<b>55,819</b>	<b>185,420</b>	<b>2,593,072</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	1,146,356	187,273	0	0	1,333,629
Leisure Time Activities	4,278	0	0	0	4,278
Community Environment	104,417	188	29,143	0	133,748
Basic Utility Services	87,221	0	0	0	87,221
Transportation	0	59,634	0	0	59,634
General Government	556,768	116,147	0	184,454	857,369
Debt Service:					
Principal Payments	1,520,000	0	0	0	1,520,000
Interest Payments	54,620	0	0	0	54,620
Capital Outlay	6	5,292	38,226	0	43,524
<b>Total Cash Disbursements</b>	<b>3,473,666</b>	<b>368,534</b>	<b>67,369</b>	<b>184,454</b>	<b>4,094,023</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(1,306,087)</b>	<b>(184,280)</b>	<b>(11,550)</b>	<b>966</b>	<b>(1,500,951)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Bonds	1,575,000	0	0	0	1,575,000
Advances-In	37,050	0	0	0	37,050
Advances-Out	0	(37,050)	0	0	(37,050)
Transfers-In	322	101,675	16,378	0	118,375
Transfers-Out	(118,053)	0	0	(322)	(118,375)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>1,494,319</b>	<b>64,625</b>	<b>16,378</b>	<b>(322)</b>	<b>1,575,000</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	188,232	(119,655)	4,828	644	74,049
Fund Cash Balances, January 1, 2006	(82,769)	164,950	5,000	1,906	89,087
<b>Fund Cash Balances, December 31, 2006</b>	<b>\$105,463</b>	<b>\$45,295</b>	<b>\$9,828</b>	<b>\$2,550</b>	<b>\$163,136</b>

*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, 2007 AND December 31, 2006**

**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, 2007 AND DECEMBER 31, 2006  
(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 funds account 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, 2007 AND DECEMBER 31, 2006  
(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 2007 and 2006 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:

	2007	2006
Demand deposits	\$181,472	\$162,467
Total deposits	181,472	162,467
STAR Ohio	705	670
Victory Money Market Mutual Fund	2,366	0
Total investments	3,071	670
Total deposits and investments	\$184,543	\$163,137

**VILLAGE OF NORTH RANDALL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND DECEMBER 31, 2006  
(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, 2007 and December 31, 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,842,074	\$3,474,441	(\$367,633)
Special Revenue	363,378	256,966	(106,412)
Capital Projects	1,159,813	1,159,813	0
Agency	213,778	65,911	(147,867)
Total	\$5,579,043	\$4,957,131	(\$621,912)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,625,763	\$3,569,040	\$56,723
Special Revenue	224,939	208,688	16,251
Capital Projects	1,671,786	1,090,886	580,900
Agency	65,911	67,111	(1,200)
Total	\$5,588,399	\$4,935,725	\$652,674

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,813,046	\$3,779,951	(\$33,095)
Special Revenue	274,579	285,929	11,350
Capital Projects	1,567,214	72,197	(1,495,017)
Agency	202,895	185,420	(17,475)
Total	\$5,857,734	\$4,323,497	(\$1,534,237)

**VILLAGE OF NORTH RANDALL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND DECEMBER 31, 2006  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,813,046	\$3,591,719	\$221,327
Special Revenue	274,579	405,584	(131,005)
Capital Projects	1,567,214	67,369	1,499,845
Agency	202,895	184,776	18,119
Total	\$5,857,734	\$4,249,448	\$1,608,286

Contrary to Ohio Revised Code Section 5705.41(D), 33 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, 2007 and December 31, 2006.

Contrary to Ohio Revised Code Section 5705.41(B), expenditures plus encumbrances exceeded appropriations for two appropriation line items for the years ended December 31, 2007 and December 31, 2006.

**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, 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, 2007 AND DECEMBER 31, 2006  
(Continued)**

**5. LOCAL INCOME TAX**

The Village levies 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.

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 2006, the Village issued a short term Urban Renewal Temporary Bond (URTB) for \$1,575,000 to retire a 2005 URTB of \$1,520,000. In 2007, the Village issued a short term URTB for \$1,578,750 million with an interest rate of 3.8% to retire the 2006 issuance. The 2007 URTB will mature in 2008.

**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 2007 and 2006, OP&F participants contributed 10 percent of their wages. For 2007 and 2006, 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 2007 and 2006, OPERS members contributed 9.5 percent and 9.0 percent, respectively of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7 percent, respectively 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, 2007. OP&F and OPERS collected these amounts due by certifying the amount to the County Budget Commission in 2008.

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 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 over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.



**VILLAGE OF NORTH RANDALL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND DECEMBER 31, 2006  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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: 2007 and 2006.

	<b>2007</b>	<b>2006</b>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

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

**9. CONTINGENT LIABILITIES**

The Village is defendant in one lawsuit. Although management cannot presently determine the outcome of this suit, they believe the resolution of this matter will not materially adversely affect the Village's financial condition.

**10. POSSIBLE FINANCIAL DISTRESS**

As of December 31, 2007, the Village has a General Fund balance of \$10,865 and \$173,678 in the remaining funds; however the Village has outstanding obligations to various vendors, pension boards and other governmental entities totaling \$477,820. The most significant outstanding obligations include the Ohio Bureau of Workers Comp \$83,000; Ohio Police and Fire Pension \$80,282; Ohio Public Employees Retirement System \$52,201; and the Cleveland Electric Illuminating Company \$50,882, the remaining \$211,455 was owed to various vendors and governmental entities. 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.

**11. SUBSEQUENT EVENTS**

In October 2008, the Village issued a short term Urban Renewal Temporary Bond (URTB) for \$1,582,500 million with an interest rate of 12% to retire the 2007 issuance in the amount of \$1,578,750.

In November 2008, the residents of the Village voted to increase the income tax rate from 2.50% to 2.75%. The additional .25% was allocated to the operations of the fire department.

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# Mary Taylor, CPA

## 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, 2007 and December 31, 2006, and have issued our report thereon dated April 24, 2009, wherein we commented on the Village's financial distress. 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 noted the Village used during 2006, the Auditor of State Uniform Accounting Network (UAN) to process its financial transactions, *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented and, as requested, operates UAN. We also noted the Auditor of State has billed the Village approximately \$26,816 for audit services provided for prior fiscal years and as of the date of this report, the full amount remains unpaid. AICPA Code of Professional Conduct, Section 100, ET Section 191 normally considers unpaid audit fees related to periods more than one year prior to the current period under audit to impair the independence of the Auditor of State. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity. 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 expressing our opinions on the financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted certain matters that we reported to the Village's management in a separate letter dated April 24, 2009.

#### **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 2007-001 through 2007-005.

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 24, 2009

VILLAGE OF NORTH RANDALL  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

FINDING NUMBER 2007-001

**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.

Thirty-three percent (20 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. 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, 2007 AND DECEMBER 31, 2006  
(Continued)**

**FINDING NUMBER 2007-001 (Continued)**

**Noncompliance Citation (Continued)**

**Proper Certification (Continued)**

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 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.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. 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 2007-002**

**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>
<b>At December 31, 2006</b>			
<i>Special Revenue Funds</i>			
Police and Fire Pension Fund	\$61,838	\$71,310	(\$9,472)
Street Const.Maint. & Repair	32,112	33,847	(\$1,735)
Northfield/Emery Road Fund	45,538	47,676	(\$2,138)
<i>Capital Projects Fund</i>			
Fire Capital Projects	0	8,143	(\$8,143)
<b>At December 31, 2007</b>			
<i>Capital Projects Fund</i>			
Fire Capital Projects	925,450	1,638,920	(\$713,470)

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.

**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, 2007 AND DECEMBER 31, 2006  
(Continued)**

**FINDING NUMBER 2007-003**

**Noncompliance Citation**

**Expenditures 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>
<b>At December 31, 2006</b>			
<i>Special Revenue Funds</i>			
Police Levy Fund - Personal	29,004	38,211	(9,207)
Fire Levy Fund - Personal	29,004	33,276	(4,272)

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 2007- 004**

**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.

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.

VILLAGE OF NORTH RANDALL  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND DECEMBER 31, 2006  
(Continued)

FINDING NUMBER 2007- 004

**Financial Report Filing (Continued)**

The Village did not file its financial statements for the year ended December 31, 2007 as required above.

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:**

Due to the severe loss of key employees at the beginning of fiscal year 2008, the Village requested an extension in filing the 2007 financial statements.

FINDING NUMBER 2007-005

**Pension Payments**

Ohio Revised Code Section 145.51 (A) requires each employer to submit payments to the Ohio Public Employee Retirement System. Ohio Rev. 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 Rev. 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 Rev. 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 2006 and 2007 to the pension systems. The pension systems had to certify the amount owed for 2006 and 2007 with the Cuyahoga County Auditor after each year end.

**Officials Response:**

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



**VILLAGE OF NORTH RANDALL  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	ORC 5705.41(D) – Proper Encumbering	No	Repeated as Finding 2007-001
2005-002	ORC 5705.39 – Appropriations Exceeded Estimated Resources	No	Repeated as Finding 2007-002
2005-003	ORC 5705.41(B) – Expenditures Plus Encumbrances Exceeded Appropriations	No	Repeated as Finding 2007-003
2005-004	ORC 5704.14 – Authorization of Transfers	Yes	
2005-005	ORC 5705.10 – Authorization of Advances	Yes	
2005-006	ORC 5705.10 – Negative Cash Balances	Yes	
2005-007	Timely Posting of Receipts	Yes	
2005-008	Proper Posting of Receipts	Yes	
2005-009	Mayor's Court	Yes	





**Mary Taylor, CPA**  
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  
SEPTEMBER 1, 2009**