



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 N. 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.

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Mary Taylor, CPA
Auditor of State

November 19, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of North Randall
Cuyahoga County
21937 N. 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, 2005 and December 31, 2004. 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. The Village processes 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 \$10,776 for audit services provided for fiscal years ended December 31, 2003 and 2002 and as of the date of this report, approximately \$8,971 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, 2005 and December 31, 2004 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, 2005 and December 31, 2004, 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, 2005 and December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As of December 31, 2005, there the Village has a negative fund balance of \$82,769 in the General Fund. This matter is further discussed in Note 10.

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 November 19, 2007, 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

November 19 2007

**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, 2005**

| | Governmental Fund Types | | Fiduciary Fund Type | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|---------------------|----------------|--------------------------------|
| | General | Special Revenue | Capital Projects | Agency | |
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$222,749 | \$69,860 | \$0 | \$0 | \$292,609 |
| Municipal Income Tax | 1,559,300 | 0 | 0 | 0 | 1,559,300 |
| Special Assessments | 109 | 0 | 0 | 0 | 109 |
| Intergovernmental Receipts | 131,143 | 25,229 | 20,100 | 0 | 176,472 |
| Charges for Services | 49,537 | 10,807 | 0 | 205 | 60,549 |
| Fines, Licenses, and Permits | 211,761 | 10,641 | 0 | 52,029 | 274,431 |
| Earnings on Investments | 172 | 5 | 0 | 0 | 177 |
| Miscellaneous | 79,400 | 3,211 | 5,000 | 0 | 87,611 |
| Total Cash Receipts | 2,254,171 | 119,753 | 25,100 | 52,234 | 2,451,258 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 1,249,211 | 208,574 | 0 | 0 | 1,457,785 |
| Leisure Time Activities | 3,394 | 0 | 0 | 0 | 3,394 |
| Community Environment | 150,223 | 0 | 0 | 0 | 150,223 |
| Basic Utility Services | 126,794 | 0 | 0 | 0 | 126,794 |
| Transportation | 0 | 8,433 | 0 | 0 | 8,433 |
| General Government | 735,702 | 2,386 | 0 | 51,655 | 789,743 |
| Debt Service: | | | | | |
| Principal Payments | 1,520,000 | 0 | 0 | 0 | 1,520,000 |
| Interest Payments | 38,652 | 0 | 0 | 0 | 38,652 |
| Capital Outlay | 11,969 | 0 | 26,100 | 0 | 38,069 |
| Total Cash Disbursements | 3,835,945 | 219,393 | 26,100 | 51,655 | 4,133,093 |
| Total Receipts Over/(Under) Disbursements | (1,581,774) | (99,640) | (1,000) | 579 | (1,681,835) |
| Other Financing Receipts and (Disbursements): | | | | | |
| Sale of Bonds | 1,520,000 | 0 | 0 | 0 | 1,520,000 |
| Transfers-In | 43,823 | 60,890 | 306 | 0 | 105,019 |
| Transfers-Out | (61,196) | (43,823) | 0 | 0 | (105,019) |
| Total Other Financing Receipts/(Disbursements) | 1,502,627 | 17,067 | 306 | 0 | 1,520,000 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (79,147) | (82,573) | (694) | 579 | (161,835) |
| Fund Cash Balances, January 1, 2005 | (3,622) | 247,523 | 5,694 | 1,327 | 250,922 |
| Fund Cash Balances, December 31, 2005 | (\$82,769) | \$164,950 | \$5,000 | \$1,906 | \$89,087 |

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, 2004**

| | Governmental Fund Types | | Fiduciary Fund Type | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|---------------------|----------------|--------------------------------|
| | General | Special Revenue | Capital Projects | Agency | |
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$206,708 | \$86,973 | \$0 | \$0 | \$293,681 |
| Municipal Income Tax | 1,512,950 | 0 | 0 | 0 | 1,512,950 |
| Special Assessments | 294 | 0 | 0 | 0 | 294 |
| Intergovernmental Receipts | 189,238 | 47,218 | 0 | 0 | 236,456 |
| Charges for Services | 55,911 | 19,438 | 0 | 117 | 75,466 |
| Fines, Licenses, and Permits | 185,488 | 5,770 | 0 | 41,228 | 232,486 |
| Earnings on Investments | 36 | 414 | 0 | 0 | 450 |
| Miscellaneous | 74,748 | 1,000 | 20,100 | 0 | 95,848 |
| Total Cash Receipts | 2,225,373 | 160,813 | 20,100 | 41,345 | 2,447,631 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 1,166,720 | 173,477 | 0 | 0 | 1,340,197 |
| Public Health Services | 1,363 | 0 | 0 | 0 | 1,363 |
| Leisure Time Activities | 5,404 | 0 | 0 | 0 | 5,404 |
| Community Environment | 185,589 | 10,710 | 0 | 0 | 196,299 |
| Basic Utility Services | 116,167 | 0 | 0 | 0 | 116,167 |
| Transportation | 0 | 10,186 | 0 | 0 | 10,186 |
| General Government | 685,062 | 5,911 | 0 | 41,706 | 732,679 |
| Debt Service: | | | | | |
| Principal Payments | 1,900,000 | 0 | 0 | 0 | 1,900,000 |
| Interest Payments | 32,210 | 0 | 0 | 0 | 32,210 |
| Capital Outlay | 16,449 | 3,722 | 24,000 | 0 | 44,171 |
| Total Cash Disbursements | 4,108,964 | 204,006 | 24,000 | 41,706 | 4,378,676 |
| Total Receipts Over/(Under) Disbursements | (1,883,591) | (43,193) | (3,900) | (361) | (1,931,045) |
| Other Financing Receipts and (Disbursements): | | | | | |
| Sale of Bonds | 1,520,000 | 0 | 0 | 0 | 1,520,000 |
| Sale of Fixed Assets | 415,465 | 0 | 0 | 0 | 415,465 |
| Transfers-In | 0 | 56,630 | 0 | 0 | 56,630 |
| Transfers-Out | (56,630) | 0 | 0 | 0 | (56,630) |
| Total Other Financing Receipts/(Disbursements) | 1,878,835 | 56,630 | 0 | 0 | 1,935,465 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (4,756) | 13,437 | (3,900) | (361) | 4,420 |
| Fund Cash Balances, January 1, 2004 | 1,134 | 234,086 | 9,594 | 1,688 | 246,502 |
| Fund Cash Balances, December 31, 2004 | (\$3,622) | \$247,523 | \$5,694 | \$1,327 | \$250,922 |

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, 2005 AND December 31, 2004**

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:

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND December 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

3. 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:

Grant Construction Fund – This fund received a grant from the State of Ohio for renovations to Miles and Northfield roads.

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, 2005 AND December 31, 2004
(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 2005 and 2004 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:

| | <u>2005</u> | <u>2004</u> |
|----------------------------------|------------------------|-------------------------|
| Demand deposits | \$82,843 | \$243,012 |
| Victory Money Market Mutual Fund | 5,613 | 7,285 |
| Total deposits | <u>88,456</u> | <u>250,297</u> |
| STAR Ohio | 631 | 625 |
| Total investments | <u>631</u> | <u>625</u> |
| Total deposits and investments | <u><u>\$89,087</u></u> | <u><u>\$250,922</u></u> |

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND December 31, 2004
(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, 2005 and December 31, 2004 follows:

| 2005 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$2,298,453 | \$3,817,994 | \$1,519,541 |
| Special Revenue | 180,534 | 180,643 | 109 |
| Capital Projects | 25,406 | 25,406 | 0 |
| Agency | 213,778 | 52,234 | (161,544) |
| Total | \$2,718,171 | \$4,076,277 | \$1,358,106 |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|---------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,295,868 | \$3,897,141 | (\$1,601,273) |
| Special Revenue | 388,938 | 263,216 | 125,722 |
| Capital Projects | 31,100 | 26,100 | 5,000 |
| Agency | 208,011 | 51,655 | 156,356 |
| Total | \$2,923,917 | \$4,238,112 | (\$1,314,195) |

| 2004 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$2,238,348 | \$4,160,838 | \$1,922,490 |
| Special Revenue | 269,282 | 217,443 | (51,839) |
| Capital Projects | 0 | 20,100 | 20,100 |
| Internal Service | 1,000 | 0 | (1,000) |
| Agency | 0 | 41,345 | 41,345 |
| Total | \$2,508,630 | \$4,439,726 | \$1,931,096 |

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND December 31, 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|---------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,232,152 | \$4,165,594 | (\$1,933,442) |
| Special Revenue | 383,059 | 204,006 | 179,053 |
| Capital Projects | 9,593 | 24,000 | (14,407) |
| Internal Service | 1,000 | 0 | 1,000 |
| Agency | 0 | 41,706 | (41,706) |
| Total | \$2,625,804 | \$4,435,306 | (\$1,809,502) |

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

Contrary to Ohio Revised Code 5705.14 and 5705.10, transfers and advances were not properly approved by the Village Council and the advance was not allowable based on the advancing funds' purposes.

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources in the Police and Fire Pension Fund by \$11,081 and in the Debt Service Fund by \$39,900 for the year ended December 31, 2004.

Contrary to Ohio Revised Code Section 5705.41(B), expenditures plus encumbrances exceeded appropriations for several appropriation line items for the years ended December 31, 2005 and December 31, 2004.

Contrary to Ohio Revised Code Section 5705.10 the General Fund had negative cash balances at December 31, 2005 and December 31, 2004 of \$88,382 and \$10,906, respectively.

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, 2005 AND December 31, 2004
(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 2004, the Village issued a short term Urban Renewal Temporary Bond (URTB) for \$1,520,000 to retire a 2003 URTB of the same amount. In 2005, the Village issued a short term URTB for \$1.52 million with an interest rate of 2.55% to retire the 2004 issuance. The 2005 URTB will mature in 2006.

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 2005 and 2004, OP&F participants contributed 10 percent of their wages. For 2005 and 2004, 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 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries and the Village contributed an amount equaling 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

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"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 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, 2005 AND December 31, 2004
(Continued)**

8. RISK MANAGEMENT (Continued)

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays 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.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

| | <u>2005</u> | <u>2004</u> |
|-----------------|--------------------|--------------------|
| Assets | \$8,219,430 | \$6,685,522 |
| Liabilities | <u>(2,748,639)</u> | <u>(2,227,808)</u> |
| Members' Equity | <u>\$5,470,791</u> | <u>\$4,457,714</u> |

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

9. CONTINGENT LIABILITIES

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

10. POSSIBLE FINANCIAL DISTRESS

As of December 31, 2005, the Village has a General Fund balance of (\$82,769). 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 September 2006, the Village issued a short term URTB for \$1.52 million with an interest rate of 2.55% to retire the 2005 issuance of the same amount.

On June 15, 2007, the Village sold real property known as the J.C. Penny Building at the Randall Park Mall for \$1.5 million.

On October 11, 2007, the Village issued short term URTB for \$1,582,500 with an interest rate of 3.80% to retire the 2006 issuance of \$1,520,000.

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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 N. 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, 2005 and December 31, 2004, and have issued our report thereon dated November 19, 2007, 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 uses 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 \$10,776 for audit services provided for fiscal years ended December 31, 2003 and 2002 and as of the date of this report, approximately \$8,971 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 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-007 through 2005-009.

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A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Village's management dated November 19, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 2005-001 through 2005-006.

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

November 19, 2007

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND December 31, 2004

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

FINDING NUMBER 2005-001

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.

Forty-four percent (15 out of 34) 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, 2005 AND December 31, 2004
(Continued)**

FINDING NUMBER 2005-001 (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 2005-002

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.

| At December 31, 2004 | Estimated Receipts | Total Appropriations | Variance |
|------------------------------|-------------------------------|---------------------------------|-----------------|
| <i>Special Revenue Fund</i> | | | |
| Police and Fire Pension Fund | \$67,010 | \$78,091 | (\$11,081) |
| <i>Debt Service Fund</i> | | | |
| | 0 | 39,900 | (39,900) |

The Debt Service Fund was eliminated on the financial statements via an audit adjustment proposed by the Auditor of State and approved by the Village. The Debt Service Fund was eliminated because the Village only recorded the interest payment on the debt and improperly recorded receipts in this fund.

We recommend the Village compare appropriations to estimated receipts 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, 2005 AND December 31, 2004
(Continued)**

FINDING NUMBER 2005-003

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> |
|---|-----------------------|---|-----------------|
| At December 31, 2004 | | | |
| <i>General Fund</i> | | | |
| Security of Persons & Property - Personal | 617,520 | 810,178 | (192,658) |
| Leisure Time - Other | 4,500 | 5,404 | (904) |
| Community Environment - Personal | 90,100 | 103,398 | (13,298) |
| Debt Service - Principal Payments | 0 | 1,900,000 | (1,900,000) |
| <i>Special Revenue Funds</i> | | | |
| Police Levy Fund - Personal | 0 | 49,306 | (49,306) |
| Fire Levy Fund - Personal | 0 | 52,464 | (52,464) |
| Tax Review Board Fund - Personal | 0 | 340 | (340) |
| Other Special Revenue Fund - Personal | 0 | 3,406 | (3,406) |
| <i>Capital Project Fund</i> | | | |
| Grant Construction Fund - Other | 9,593 | 24,000 | (14,407) |
| <i>Agency Fund</i> | | | |
| Mayor's Court Fund | 0 | 24,946 | (24,946) |
| At December 31, 2005 | | | |
| <i>General Fund</i> | | | |
| Security of Persons & Property - Personal | 879,029 | 943,357 | (64,328) |
| Community Environment - Personal | 102,392 | 119,698 | (17,306) |
| General Government - Personal | 325,320 | 376,868 | (51,548) |
| General Government - Other | 360,004 | 360,352 | (348) |
| Debt Service - Principal Payments | 0 | 1,520,000 | (1,520,000) |
| <i>Special Revenue Funds</i> | | | |
| Misc. Fire Department Fund - Personal | 29,853 | 58,617 | (28,764) |
| Juvenile Diversion Fund - Personal | 1,700 | 1,757 | (57) |

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND December 31, 2004
(Continued)**

FINDING NUMBER 2005-003 (Continued)

Noncompliance Citation (Continued)

Expenditures Exceeding Appropriations (Continued)

Several of the citations above occurred due to audit adjustments proposed by the Auditor of State and accepted by the Village because activity was not recorded in the Village's ledgers.

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 2005-004

Noncompliance Citation

Authorization of Transfers

Ohio Revised Code Section 5705.14 states that except in the case of the general fund, transfers may be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. See also 1989 Op. Atty. Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds). Auditor of State Bulletin 1997-003 sets forth guidelines for advancing funds. This bulletin requires all advances to be approved by a formal resolution of Council prior to their occurrence.

During our testing of seven and two transfers in 2005 and 2004 respectively, we noted four transfers totaling \$61,196 in 2005 and two transfers totaling \$56,630 in 2004 were not approved by Council and two transfers totaling \$43,823 in 2005 were made prior to obtaining Council approval.

We recommend Council approve all transfers by resolution prior to their occurrence to ensure compliance with the Ohio Revised Code. In addition, approval of individual transfers and advances is a good accounting practice and provides an audit trail to support the amounts transferred.

Official's Response:

The Village has taken action to ensure that transfers are approved prior to their occurrence by resolution.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND December 31, 2004
(Continued)**

FINDING NUMBER 2005-005

Noncompliance Citation

Advances

Ohio Revised Code Section 5705.10 requires that all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year and cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on the use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision and must include a specific statement that the transaction is an advance of cash, and an indication of the money (fund) from which it is expected that repayment will be made.

During the 2005 fiscal year, the Street Construction, Maintenance, and Repair Fund advanced \$55,000 to the General Fund and the State Highway Fund advanced \$24,000 to the General Fund. These advances were not approved by Council until after the transaction was posted to the system and were not allowable based on the purposes of the debtor and creditor funds. We proposed an audit adjustment to return the monies to the proper advancing fund. This adjustment was approved by the Village and is reflected on the financial statements for fiscal year 2005.

We recommend Council approve all advances by resolution prior to being posted to the system to ensure compliance with the above requirements. Also, Council should determine an advance between funds is allowable based on the purpose of the funds involved.

Official's Response:

The Village will monitor advances to ensure that the advances are approved by resolution of the Council before being posted to the system.

FINDING NUMBER 2005-006

Noncompliance Citation

Negative Cash Balance

Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. Negative cash or negative fund balances indicate monies from another fund are being utilized to cover the fund's deficit cash balance.

As of December 31, 2004 and December 31, 2005, the General Fund had a negative cash balance of \$3,622 and \$82,769, respectively. These negative cash balances occurred due to audit adjustments proposed by the Auditor of State and accepted by the Village because activity was not recorded in the Village's ledgers.

We recommend the Village utilize appropriate measures to ensure negative cash balances do not exist throughout the year or at year end.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND December 31, 2004
(Continued)**

FINDING NUMBER 2005-006 (Continued)

Noncompliance Citation (Continued)

Negative Cash Balance (Continued)

Official's Response:

The Village is taking action to propose an income tax increase, and a property tax increase, and is formulating a plan to significantly cut services and related costs. The Village is actively monitoring cash flow.

FINDING NUMBER 2005-007

Reportable Condition

Timely Posting of Receipts

Receipts are to be posted in a timely manner, once physically received or upon receipt of notification of the direct deposit. During our testing of ambulance billing receipts for fiscal years 2005 and 2004, 13 out of 60 receipts were not posted within one week after they were physically received or notification of the receipt was received. During our testing of juvenile diversion receipts for fiscal year 2004, 5 out of 7 receipts were not posted within one week after they were physically received or notification of the receipt was received. During our testing of fines, licenses, and permit receipts for fiscal years 2005 and 2004, 5 out of 58 receipts were not posted within one week after they were physically received or notification of the receipt was received. We did note the Village properly deposited all receipts within three days in accordance with Ohio Revised Code 9.38.

We recommend the Village record all of their receipts in a timely manner to ensure that their records properly reflect their revenues and cash balance.

Official's Response:

The Village has taken action to ensure that receipts are posted and deposited within a timely manner.

FINDING NUMBER 2005-008

Reportable Condition

Proper Posting of Receipts

The Village utilizes the Uniform Accounting Network (UAN) as their financial reporting software. UAN has set forth a fund structure that indicates where different types of receipts are to be posted.

The Village's financial statements for 2005 and 2004 required many adjustments and reclassifications. These adjustments were due to the Village posting receipts to either the wrong fund the wrong revenue code, or not posting financial activity. We also noted revenue receipts that were misposted, but were not material to the financial statements and therefore not adjusted to the financial statements. These mispostings caused the auditing process to become very cumbersome. In addition, the audit adjustments given to the Village in prior audits that required changes to the Village's UAN system were not made.

We also noted the Village received money from the Magic Johnson Theater, but did not post the revenue to the UAN system.

We recommend the Village post all revenue receipts to the ledgers in accordance with guidelines set forth by UAN.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND December 31, 2004
(Continued)**

FINDING NUMBER 2005-008 (Continued)

Reportable Condition (Continued)

Proper Posting of Receipts (Continued)

Official's Response:

The Village has taken action to ensure that revenues and expenditures are posted to the proper accounts.

FINDING NUMBER 2005-009

Reportable Condition

Mayor's Court

During the audit period we noted the following:

- The Court had not developed written procedures and instructions to prevent misunderstandings, errors, and other situations that can result in inaccurate and/or untimely records.
- The Village did not record bail bond activity in the Village's general ledger and not all checks written for forfeited bonds were recorded on the bond account ledgers.
- The general ledger revenues for the Mayor's Court did not agree to actual revenue activity or the Mayor's Court monthly reports because December revenue was not posted until January.
- The Village's Mayor's Court Agency fund recorded activity for receipts that were also expensed to the Village which resulted in an overstatement of revenues and expenditures in the Agency fund.

As a result, we recorded several adjustments to the Village's financial statements.

Based on these facts, we recommend:

- The Mayor and/or Clerk of Courts should develop written procedures for all Court activities. The procedures should be in sufficient detail as to provide employees with instructions on performing all Court activities.
- The Village should record all activity related to bail bonds in the general ledger.
- The Village should record financial activity when it physically occurs, in accordance with the cash basis of accounting.
- The Village should only record Mayor's Court receipts and expenditures that are due to other entities in the Mayor's Court Agency fund.

Official's Response:

The Village has taken action to document procedures within the Mayor's Court in detail. The Village will monitor revenues and expenditures of the Mayor's Court to ensure that they are recorded properly.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2003-001 | ORC 5705.41(D) – Proper Encumbering | No | Repeated as Finding 2005-001 |
| 2003-002 | ORC 5705.41(B) –Expenditures Plus Encumbrances Exceeded Appropriations | No | Repeated as Finding 2005-003 |
| 2003-003 | ORC 5705.14 – Authorization of Transfers | No | Repeated as Finding 2005-004 |
| 2003-004 | Timely Posting of Receipts | No | Repeated as Finding 2005-007 |
| 2003-005 | Mayor’s Court | No | Repeated as Finding 2005-009 |
| 2003-006 | Proper Posting of Receipts | No | Repeated as Finding 2005-008 |



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
DECEMBER 20, 2007**