



Dave Yost • Auditor of State

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

TABLE OF CONTENTS

| TITLE | PAGE |
|---|------|
| Cover Letter | 1 |
| Independent Accountants' Report..... | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011 | 5 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2011 | 6 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010 | 7 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2010 | 8 |
| Notes to the Financial Statements | 9 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 17 |
| Schedule of Findings..... | 19 |
| Schedule of Prior Audit Findings..... | 28 |

This page intentionally left blank.



Dave Yost • Auditor of State

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

To the Village Council:

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

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

Dave Yost
Auditor of State

October 15, 2013

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of North Randall, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010, of the Village of North Randall, Cuyahoga County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 9 to the financial statements, the Village has suffered recurring losses from operations and has fund balance deficiencies. Note 9 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 1, during 2011 the Village of North Randall adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

October 15, 2013

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|--------------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Property and Local Taxes | \$0 | \$65,968 | \$90,686 | \$0 | \$156,654 |
| Municipal Income Tax | 999,538 | 93,582 | | | 1,093,120 |
| Intergovernmental | 91,920 | 126,057 | | | 217,977 |
| Special Assessments | 33,824 | | 29,183 | | 63,007 |
| Charges for Services | 29,421 | 6,970 | | | 36,391 |
| Fines, Licenses and Permits | 252,281 | 27,258 | | | 279,539 |
| Miscellaneous | 43,534 | | | | 43,534 |
| Total Cash Receipts | 1,450,518 | 319,835 | 119,869 | 0 | 1,890,222 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 608,117 | 169,137 | | | 777,254 |
| Leisure Time Activities | 13,714 | 139 | | | 13,853 |
| Community Environment | 75,322 | | | | 75,322 |
| Basic Utility Service | 72,989 | | | | 72,989 |
| Transportation | 0 | 33,534 | | | 33,534 |
| General Government | 573,039 | 2,647 | | | 575,686 |
| Debt Service: | | | | | |
| Redemption of Principal | | | 1,543,500 | | 1,543,500 |
| Interest and Fiscal Charges | | | 121,200 | | 121,200 |
| Total Cash Disbursements | 1,343,181 | 205,457 | 1,664,700 | 0 | 3,213,338 |
| Total Receipts Over/(Under) Disbursements | 107,337 | 114,378 | (1,544,831) | 0 | (1,323,116) |
| Other Financing Receipts / (Disbursements): | | | | | |
| Sale of Bonds | | | 1,477,500 | | 1,477,500 |
| Sale of Fixed Assets | | | | 25,613 | 25,613 |
| Total Other Financing Receipts / (Disbursements) | 0 | 0 | 1,477,500 | 25,613 | 1,503,113 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 107,337 | 114,378 | (67,331) | 25,613 | 179,997 |
| Fund Cash Balances, January 1, 2011 | 27,142 | 40,362 | (90,714) | 153,942 | 130,732 |
| Fund Cash Balances, December 31, 2011 | | | | | |
| Restricted | | 154,740 | | 179,555 | 334,295 |
| Unassigned (Deficit) | 134,479 | | (158,045) | | (23,566) |
| Fund Cash Balances, December 31, 2011 | \$134,479 | \$154,740 | (\$158,045) | \$179,555 | \$310,729 |

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

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH FUND BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>Fiduciary Fund Type</u> |
|---|----------------------------|
| | <u>Agency</u> |
| Operating Cash Receipts | |
| Fines, Licenses and Permits | <u>\$249,196</u> |
| <i>Total Operating Cash Receipts</i> | <u>249,196</u> |
| Operating Cash Disbursements | |
| Other | <u>238,543</u> |
| <i>Total Operating Cash Disbursements</i> | <u>238,543</u> |
| <i>Operating Income (Loss)</i> | <u>10,653</u> |
| <i>Fund Cash Balances, January 1</i> | <u>21,739</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$32,392</u></u> |

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

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|--------------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Property and Local Taxes | \$0 | \$64,605 | \$111,287 | \$0 | \$175,892 |
| Municipal Income Tax | 938,535 | 89,206 | | | 1,027,741 |
| Intergovernmental | 77,790 | 38,331 | | | 116,121 |
| Special Assessments | 30,649 | | | | 30,649 |
| Charges for Services | 46,714 | 11,117 | | | 57,831 |
| Fines, Licenses and Permits | 195,991 | 9,447 | | | 205,438 |
| Miscellaneous | 23,152 | 201 | | | 23,353 |
| Total Cash Receipts | 1,312,831 | 212,907 | 111,287 | 0 | 1,637,025 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 506,509 | 246,034 | | | 752,543 |
| Public Health Services | 6,923 | | | | 6,923 |
| Leisure Time Activities | | 2,069 | | | 2,069 |
| Basic Utility Service | 59,686 | | | | 59,686 |
| Transportation | 43,397 | 36,981 | | | 80,378 |
| General Government | 687,452 | | | | 687,452 |
| Debt Service: | | | | | |
| Redemption of Principal | | | 3,180,450 | | 3,180,450 |
| Interest and Fiscal Charges | | | 182,749 | | 182,749 |
| Capital Outlay | | | | 90 | 90 |
| Total Cash Disbursements | 1,303,967 | 285,084 | 3,363,199 | 90 | 4,952,340 |
| Total Receipts Over/(Under) Disbursements | 8,864 | (72,177) | (3,251,912) | (90) | (3,315,315) |
| Other Financing Receipts / (Disbursements): | | | | | |
| Proceeds from Sale of Public Debt: | | | | | |
| Sale of Bonds | | | 3,224,080 | | 3,224,080 |
| Sale of Fixed Assets | 4,152 | | | 25,613 | 29,765 |
| Total Other Financing Receipts / (Disbursements) | 4,152 | 0 | 3,224,080 | 25,613 | 3,253,845 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 13,016 | (72,177) | (27,832) | 25,523 | (61,470) |
| Fund Cash Balances, January 1, 2010 | 14,126 | 112,539 | (62,882) | 128,419 | 192,202 |
| Fund Cash Balances, December 31, 2010 | \$27,142 | \$40,362 | (\$90,714) | \$153,942 | \$130,732 |

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

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH FUND BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010

| | <u>Fiduciary Fund Type</u> |
|---|----------------------------|
| | <u>Agency</u> |
| Operating Cash Receipts | |
| Fines, Licenses and Permits | <u>\$275,759</u> |
| <i>Total Operating Cash Receipts</i> | <u>275,759</u> |
| Operating Cash Disbursements | |
| Other | <u>273,426</u> |
| <i>Total Operating Cash Disbursements</i> | <u>273,426</u> |
| <i>Operating Income (Loss)</i> | <u>2,333</u> |
| <i>Fund Cash Balances, January 1</i> | <u>19,406</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$21,739</u></u> |

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, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

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

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

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

3. Debt Service Fund

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

4. Capital Project Funds

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

General Capital Improvements Fund – This fund received proceeds from the sale of fixed assets.

5. Fiduciary Funds (Agency Funds)

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

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | 2011 | 2010 |
|--------------------------------|-----------|-----------|
| Demand deposits | \$342,395 | \$151,745 |
| Total deposits | 342,395 | 151,745 |
| Investments | | |
| STAR Ohio | 726 | 726 |
| Total deposits and investments | \$343,121 | \$152,471 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and December 31, 2010 follows:

| 2011 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|--------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,600,000 | \$1,450,518 | (\$149,482) |
| Special Revenue | 383,809 | 319,835 | (63,974) |
| Debt Service | 1,863,694 | 1,597,369 | (266,325) |
| Capital Projects | 29,614 | 25,613 | (4,001) |
| Total | <u>\$3,877,117</u> | <u>\$3,393,335</u> | <u>(\$483,782)</u> |

| 2011 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,368,026 | \$1,343,181 | \$24,845 |
| Special Revenue | 227,865 | 205,456 | 22,409 |
| Debt Service | 1,763,700 | 1,664,700 | 99,000 |
| Capital Projects | 25,619 | 0 | 25,619 |
| Total | <u>\$3,385,210</u> | <u>\$3,213,337</u> | <u>\$171,873</u> |

| 2010 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,644,212 | \$1,316,983 | (\$327,229) |
| Special Revenue | 438,183 | 212,907 | (225,276) |
| Debt Service | 1,874,786 | 3,335,367 | 1,460,581 |
| Capital Projects | 109,780 | 25,613 | (84,167) |
| Total | <u>\$4,066,961</u> | <u>\$4,890,870</u> | <u>\$823,909</u> |

| 2010 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,444,759 | \$1,303,967 | \$140,792 |
| Special Revenue | 347,866 | 285,084 | 62,782 |
| Debt Service | 3,378,670 | 3,363,199 | 15,471 |
| Capital Projects | 31,344 | 90 | 31,254 |
| Total | <u>\$5,202,639</u> | <u>\$4,952,340</u> | <u>\$250,299</u> |

Contrary to Ohio Revised Code Section 5705.10 (H) requires, in part, that money paid into any fund shall be used only for the purposes for which that fund is established. The Village had two negative cash fund balance at December 31, 2011 and three negative cash fund balances at December 31, 2010.

Contrary to Ohio Revised Code Section 5705.41(D), 87 percent of expenditures tested were made prior to receiving the fiscal officer's certification.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Revised Code Section 5705.36 (A) the Village did not amend appropriations and reduce the certificate of estimated resources for three funds for the year ended December 31, 2011 and four funds for the year ended December 31, 2010.

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources in several funds for the years ended December 31, 2011 and December 31, 2010.

Contrary to Ohio Revised Code Section 5705.41(B), expenditures exceeded appropriations for four appropriation line items for the year ended December 31, 2011 and two appropriation line items for the year ended December 31, 2010.

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed only against local and inter-exchange telephone companies for only 2010 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.

5. LOCAL INCOME TAX

The Village levied a municipal income tax of 2.75 percent, with 0.25 percent allocated to the operations of the Fire Department, on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Cleveland Collection Agency (CCA) either monthly, or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. CCA collects taxes on the Village's behalf and remits them to the Village on a monthly basis.

6. DEBT

On January 29, 2010, the Village issued a short term Urban Renewal Temporary Bond (URTB) for \$1,641,580 with an interest rate of 12% to retire the 2008 issuance. The 2010 URTB matured on October 7, 2010 and the Village issued a short term URTB for \$1,582,500 with an interest rate of 9%. In 2011, the Village issued a six year term (URTB) for \$1,477,500 with an interest rate of 8% to retire the 2010 URTB issuance in the amount of \$1,582,500. The (URTB) issued 2011 matures in 2017.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. DEBT (Continued)

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

| Year | Urban Renewal Temporary Bonds |
|-------|--|
| 2012 | \$178,200 |
| 2013 | 173,400 |
| 2014 | 168,600 |
| 2015 | 163,800 |
| 2016 | 159,000 |
| 2017 | 1,276,500 |
| Total | \$2,119,500 |

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 2011 and 2010, OP&F participants contributed 10 percent of their wages. For 2011 and 2010, 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 2011 and 2010, OPERS members contributed 10 percent, of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011. OPERS and OP&F collected the amounts due through 2011 by certifying the amounts to the County Budget Commission in 2012.

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

8. RISK MANAGEMENT

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

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. RISK MANAGEMENT (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010.

| | <u>2011</u> | <u>2010</u> |
|-----------------|--------------------|--------------------|
| Assets | \$12,501,280 | \$12,036,541 |
| Liabilities | (5,328,761) | (4,845,056) |
| Members' Equity | <u>\$7,172,519</u> | <u>\$7,191,485</u> |

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

9. POSSIBLE FINANCIAL DISTRESS

As of December 31, 2011, the Village has a General Fund balance of \$134,479 and \$176,250 in the remaining governmental funds; however the Village has outstanding obligations to various vendors and other governmental entities totaling \$551,537. The most significant outstanding obligations include the Ohio Bureau of Workers Comp (OBWC) \$217,876; Dominion East Ohio Gas \$21,216 and the Cleveland Electric Illuminating Company \$264,020, the remaining \$48,425 was owed to various vendors and governmental entities. Although, the Village had not adopted a balanced budget for 2011, the Village is aware of the situation and is making attempts to reduce expenditures in the General Fund and sell various properties owned by the Village and establish repayment plans with various vendors.

Additionally, on June 28, 2011, the State of Ohio passed legislation that authorized video lottery terminals at the seven Ohio race tracks, including Thistledown Racetrack. Thistledown has created six hundred new jobs and opened 1,170 video lottery terminals to the public on April 9, 2013. These additional six hundred jobs and the municipal tax revenue have significantly improved the Village's income tax base and income tax collections have increased by approximately 100% on a monthly basis starting June, 2013. This additional tax revenue has significantly decreased the amount of outstanding obligations owed by the Village. In instances where the Village has not been able to pay the complete obligation, payment plans have been established. On September 20, 2013, the Village sold the Dillard's within the Randall Park Mall property to the Miles North Randall, LLC for \$75,000.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the Village of North Randall, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 15, 2013, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. During 2011, the Village also implemented Governmental accounting Standards Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". Also, the Village has suffered recurring losses from operations and has fund balance deficiencies. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 through 2011-009 described in the accompanying schedule of findings to be material weaknesses.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801

Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361

www.auditor.state.oh.us

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 2011-001 through 2011-006.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 15, 2013.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

October 15, 2013

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 and 2010

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

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2011-001 |
|-----------------------|----------|

Noncompliance and Material Weakness

Proper Certification

Ohio Rev. 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 that 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.

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 that the contract or order was made ("then"), and at the time that 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 that 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.

During our testing of expenditures, we noted 13 of 15 transactions (87 percent) were not encumbered prior to the purchase commitment, without using the above. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. We recommend the Fiscal Officer certify that the funds are or will be available prior to the obligation as required above, to improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations. When prior certification is not possible, "then and now" certification should be used.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 and 2010
(Continued)**

| | |
|-----------------------|----------------------|
| <i>Finding Number</i> | 2011-001 (Continued) |
|-----------------------|----------------------|

Noncompliance and Material Weakness

Proper Certification

The Fiscal Officer should then post approved purchase commitments to the proper appropriation code, which will 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.

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2011-002 |
|-----------------------|----------|

Noncompliance and Material Weakness

Negative Cash Balances

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

At December 31, 2011, the Village carried a negative cash fund balance in the following fund:

| Fund Number/Fund Name | Negative Cash Balance |
|-------------------------------------|-----------------------|
| 2063 - Cops Justice Grant | (\$5,700) |
| 3101 - General Obligation Bond Fund | (158,045) |

At December 31, 2010, the Village carried a negative cash fund balance in the following funds:

| Fund Number/Fund Name | Negative Cash Balance |
|-------------------------------------|-----------------------|
| 2063 - Cops Justice Grant | (\$53,283) |
| 2904 - Fire Levy Fund | (70,178) |
| 3101 - General Obligation Bond Fund | (90,714) |

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

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

Official's Response:

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

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 and 2010
(Continued)

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2011-003 |
|-----------------------|----------|

Noncompliance and Material Weakness

Pension Payments

Ohio Rev. 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. Ohio Rev. Code 742.361 states that 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 withheld numerous payments of employer contributions in 2010 and 2011 to the pension systems which resulted in penalty payments. The pension systems had to certify the amount owed for 2010 and 2011 with the Cuyahoga County Auditor after each year end to receive payment.

The late payments resulted in penalties and interest being assessed against the Village.

We recommend the amounts due be paid in a timely manner to avoid any late payment charges.

Official's Response:

The Village has reduced payroll expenditures and staffing in order to comply with the reporting requirement. In addition, the Village's cash position has greatly improved allowing the Village to pay pension payments in a timely manner.

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2011-004 |
|-----------------------|----------|

Noncompliance and Material Weakness

Appropriations Limited by Estimated Resources

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 and 2010
(Continued)**

| | |
|-----------------------|----------------------|
| <i>Finding Number</i> | 2011-004 (Continued) |
|-----------------------|----------------------|

Noncompliance and Material Weakness (Continued)

Appropriations Limited by Estimated Resources (Continued)

The following funds had appropriations in excess of estimated resources at December 31, 2011:

| Fund Number/Fund Name | Estimated Revenues and Unencumbered Fund Balances | Current Year Appropriations | Variance |
|-----------------------|---|-----------------------------|-----------|
| 2011 - Street Main. | \$28,000 | \$29,522 | (\$1,522) |
| 2091 Law Enforcement | 3,950 | 22,000 | (18,050) |
| 2904 - Fire Levy | 41,000 | 76,072 | (35,072) |
| 2905 - Misc. Fire | 0 | 10,400 | (10,400) |

The following funds had appropriations in excess of estimated resources at December 31, 2010:

| Fund Number/Fund Name | Estimated Revenues and Unencumbered Fund Balances | Current Year Appropriations | Variance |
|---------------------------|---|-----------------------------|-------------|
| 2011 - Street Maintenance | 28,294 | 61,218 | (32,924) |
| 2021 - State Highway | 3,500 | 5,033 | (1,533) |
| 2063 - Cops Justice Grant | (13,339) | 48,892 | (62,231) |
| 2091 - Law Enforcement | 3,951 | 5,304 | (1,353) |
| 2904 - Fire Levy | 65,180 | 114,000 | (48,820) |
| 2905 - Misc. Fire | 28,658 | 38,658 | (10,000) |
| 3101 – Debt | 1,874,786 | 3,378,670 | (1,503,884) |

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

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

Official's Response:

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 and 2010
(Continued)**

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2011-005 |
|-----------------------|----------|

Noncompliance and Material Weakness

Appropriations in Excess of Available Resources

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriations.

At December 31, 2011, we noted appropriations exceeded actual available resources in the following funds:

| Fund Number/Fund Name | Unencumbered Balance | Actual Revenues | Appropriations | Variance |
|------------------------------|-----------------------------|------------------------|-----------------------|-----------------|
| 2063 - Cops Justice Grant | \$(53,283) | \$92,101 | \$44,518 | (\$5,700) |
| 2904 - Fire Levy | (70,178) | 99,868 | 76,072 | (46,382) |
| 3101 - Bond Retirement | (90,714) | 1,597,369 | 1,763,700 | (257,045) |

At December 31, 2010, we noted appropriations exceeded actual available resources in the following funds:

| Fund Number/Fund Name | Unencumbered Balance | Actual Revenues | Appropriations | Variance |
|------------------------------|-----------------------------|------------------------|-----------------------|-----------------|
| 1000 – General | \$14,128 | \$1,316,983 | \$1,444,759 | (\$113,648) |
| 2063 - Cops Justice Grant | (13,339) | 0 | 48,892 | (62,231) |
| 2904 - Fire Levy | 0 | 104,645 | 114,000 | (9,355) |
| 3101 – Debt | (62,882) | 3,335,367 | 3,378,670 | (106,185) |

This condition resulted in appropriations exceeding estimated resources and resulted in deficit cash balances when the expenditures exceeded actual revenues and unencumbered beginning fund balances.

The Village should compare actual available revenues at the end of the fiscal year with the final appropriations measure to ensure compliance with this requirement. If variances as noted are found, the Village should report the deficiencies to the County Budget Commission in order to obtain an amended official certificate and reduce the appropriations, if necessary.

Official's Response:

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

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 and 2010
(Continued)**

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2011-006 |
|-----------------------|----------|

Noncompliance and Material Weakness

Expenditures in Excess of Appropriations

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

The following funds had expenditures in excess of appropriations as of December 31, 2011:

| Fund Number/Fund Name | Appropriations | Expenditures | Variance |
|---------------------------|----------------|--------------|-----------|
| 2011 - Street Main. | \$29,522 | \$33,221 | (\$3,699) |
| 2131 - Police Pension | 4,000 | 26,508 | (22,508) |
| 2903 - Police Levy | 27,000 | 60,639 | (33,639) |
| 2907 - Juvenile Diversion | 1,800 | 2,580 | (780) |

The following funds had expenditures in excess of appropriations as of December 31, 2010:

| Fund Number/Fund Name | Appropriations | Expenditures | Variance |
|-----------------------|----------------|--------------|-----------|
| 2903 - Police Levy | \$24,000 | \$26,803 | (\$2,803) |
| 2904 - Fire Levy | 114,000 | 174,823 | (60,823) |

This weakness resulted in expenditures exceeding appropriations. Further, this weakness may cause a loss of accountability over the budgetary process and could reduce the effectiveness of monitoring controls.

We recommend the Village verify that all expenditures have proper appropriation authority prior to expending funds in order not to result in negative cash fund balances and compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control.

Official's Response:

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

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 and 2010
(Continued)

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2011-007 |
|-----------------------|----------|

Material Weakness

Cash Reconciliation Procedures

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

- During our testing of the State distributions to the Village we noted a deposited State and Local government highway distribution of \$851 on June 15, 2010, to the operating account that was not posted to the general ledger, which should have resulted in an unreconciled amount, but was not included in the month end reconciliation at December 31, 2010 or 2011;
- Transfer errors that occurred between bank accounts from 2009 of \$876 were still being carried on the December 31, 2011 reconciliation. Therefore, bank transfer errors were not timely identified and resolved;
- Over posting to the general ledger of fund transfers of \$28,106 in 2008 and 2009, which were still being carried on the December 31, 2011 reconciliation. Therefore, fund transfer errors were not timely identified and corrected;
- Unfunded payroll expenses increased from \$45,517 at December 31, 2010 to \$108,177 at December 31, 2011, which resulted in the Village having \$62,660 in posted and unpaid payroll expenditures during 2011;
- The Village had many outstanding checks from the general operating account and payroll account for deductions written to governmental agencies and vendors which have timely depositing policies, however the checks remain outstanding for long periods of time, this fact indicates the Village may not be properly remitting these checks and instead using these funds for cash flow purposes, should an outstanding vendor balance become a priority, such as a disconnection or termination of service; and
- The Village had various checks written which were replaced with ACH debits and the related outstanding checks were not properly removed from the outstanding check listings.

These issues led to errors in the reconciliation not being timely detected. Village management made the necessary adjustments to the financial statements and accounting records.

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

Official's Response:

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

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 and 2010
(Continued)

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2011-008 |
|-----------------------|----------|

Material Weakness

Accounting Information System Controls

Financial management decisions affect every aspect of the Village, but such decisions can only be as good as the data on which they are based. Consequently each department must establish and implement a system to ensure data integrity. This system must provide reasonable assurance that transactions are in accordance with management's authorization and are recorded in the Village records in an accurate and timely manner.

The Village is using QuickBooks for all of its financial reporting. This software is designed to help a small business report profit and loss. However, the data contained in QuickBooks can be changed in future periods which can compromise the integrity of Village accounting records. Also since the Finance Director is the only individual reviewing the posting of revenue and expenditures errors can occur and not be detected in a timely manner.

We recommend the Village obtain software designed specifically for non-profit or governmental accounting and requires timely closing of the year end with no capability of posting to prior periods or implement manual controls such as segregation of duties and time stamped year end closing reports that will reduce the risk of data compromise.

Official's Response:

The Village will review other software products designed specifically for non-profit or governmental accounting.

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2011-009 |
|-----------------------|----------|

Material Weakness

Financial Reporting

Sound financial reporting is the responsibility of the Finance Officer and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. During calendar years 2010 and 2011, the Village entered into rollovers of the Urban Renewal Temporary Bond (URTB). During 2010 the Bond was reissued twice in January for \$1,641,500 and in October for \$1,582,500. In 2011 the Bond was reissued in October for \$1,477,500, the principal and proceeds were posted by the Village for only the January 2010 rollover issuance. Also, the Village did not maintain accurate records in the Mayor's Court agency fund. Audit adjustments for these activities were made to the Village's Agency fund financial statements. Adjustments were also made to the Village's property tax for \$33,507 in the Policy Levy Special Revenue fund type and special assessments for \$29,183 in the Debt Service fund types.

Not properly reviewing the posting of bond issuance activity to the financial report, property taxes/special assessments revenue and maintaining accurate Mayor's Court activity in the agency fund can result in errors and irregularities that may go undetected and decrease the reliability of the financial statements.

We recommend the Village's Finance Officer ensure the posting of bond issuance activity to the financial report, the accuracy of property taxes/special assessments revenue posting and maintain accurate records of Mayor's Court activity in the agency fund and accurately post property taxes and special assessments.

VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 and 2010
(Continued)

| | |
|-----------------------|----------------------|
| <i>Finding Number</i> | 2011-009 (Continued) |
|-----------------------|----------------------|

Material Weakness (Continued)

Financial Reporting (Continued)

Official's Response:

The Village will monitor the proper posting of bond issuance activity and property taxes/special assessments revenue posting to the financial report and maintaining accurate Mayor's Court activity in the agency fund.

**VILLAGE OF NORTH RANDALL
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2009-001 | ORC 5705.41(D) – Proper Certification | No | Repeated as Finding 2011-001 |
| 2009-002 | ORC 5705.39 – Appropriations Limited by Estimated Resources | No | Repeated as Finding 2011-004 |
| 2009-003 | ORC 5705.41(B), (D) – Expenditures Plus Encumbrances Exceeded Appropriations | No | Repeated as Finding 2011-006 |
| 2009-004 | ORC 117.38 – Filing Annual financial reports | No | Partial Corrected; Repeated as Management Letter Comment |
| 2009-005 | ORC 145.51 (A) & (B) ORC 742.35 – Pension Payments | No | Repeated as Finding 2011-003 |
| 2009-006 | ORC 5705.14, 5705.15, and 5705.16 - Proper Procedures to Account for Transfers | Yes | |
| 2009-007 | ORC 5705.10 - Negative Cash Fund Balances | No | Repeated as Finding 2011-002 |
| 2009-008 | Cash Reconciliation | No | Repeated as Finding 2011-007 |



Dave Yost • Auditor of State

VILLAGE OF NORTH RANDALL

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 7, 2013