



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF LINNDALE  
CUYAHOGA COUNTY

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VILLAGE OF LINNDALE  
CUYAHOGA COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Linndale  
Cuyahoga County  
4016 West 119<sup>th</sup> Street  
Linndale, Ohio 44135

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Linndale, Cuyahoga County, Ohio (the Village), as of and for the years ended December 31, 2005 and December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. 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. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Linndale, Cuyahoga County, Ohio, as of December 31, 2005 and December 31, 2004, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund and Magistrate Fund (2004) thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2008, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

May 2, 2008

# **Village of Linndale Cuyahoga County**

## **Management's Discussion & Analysis (Unaudited)**

### **For the Years Ended December 31, 2005 and 2004**

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This discussion and analysis of the Village of Linndale, Cuyahoga County, Ohio, (the Village) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2004 and 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

#### **Highlights**

Key highlights for 2004 and 2005 are as follows:

- Net assets of governmental activities decreased \$39,004 or 13.4 percent for 2004 and increased \$98,267, or 38.9 percent, significant changes from the prior year. In 2004, the fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2004; however, cost increases affected most funds. In 2005, the fund most affected by the increase in cash and cash equivalents was the General Fund, which recognized the greatest benefit of decreased costs in 2005; however, cost decreases affected most funds.
- The Village's program receipts are primarily charges for services. These receipts represent 87.7 and 86.3 percent of the total cash received for governmental activities during 2004 and 2005, respectively. Property and income tax receipts for 2004 and 2005 changed very little as development within the Village has slowed.

#### **Using the Basic Financial Statements**

This report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

#### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting major funds in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

# Village of Linndale Cuyahoga County

## Management's Discussion & Analysis (Unaudited) (continued)

### For the Years Ended December 31, 2005 and 2004

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#### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

#### **Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2004 and 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and special assessments restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we present the Village as one type of activity:

***Governmental activities*** - The Village's basic services reported here are primarily court costs. Grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.



**Village of Linndale  
Cuyahoga County**

**Management’s Discussion & Analysis (Unaudited) (continued)**

**For the Years Ended December 31, 2005 and 2004**

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**Reporting the Village’s Most Significant Funds**

Fund financial statements provide detailed information about the Village’s major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the Village’s activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village’s governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village’s programs. The Village’s significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village’s major governmental funds are the General and Capital Improvements Funds.

The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village’s programs.

**The Village as a Whole**

Table 1 provides a summary of the Village’s net assets for 2005 on a modified cash basis compared to 2004.

(Table 1)  
Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Assets:		
Cash and cash equivalents	\$ 350,796	\$ 252,529
Total assets	350,796	252,529
Net assets:		
Restricted for:		
Capital Projects	37,076	11,702
Unrestricted	313,720	240,827
Total net assets	\$ 350,796	\$ 252,529

As mentioned previously, net assets of governmental activities decreased \$39,004 or 13.4 percent for 2004 and increased \$98,267 or 38.9 percent during 2005. The primary reason contributing to the decrease in cash was the increase in costs incurred during 2004. Inversely, in 2005, the increase in cash balances was due to the decrease in overall costs of the Village.

**Village of Linndale  
Cuyahoga County**

**Management’s Discussion & Analysis (Unaudited) (continued)**

**For the Years Ended December 31, 2005 and 2004**

Table 2 reflects the changes in net assets in 2005 and 2004.

(Table 2)  
Changes in Net Assets

	<u>Governmental Activities</u> <u>2005</u>	<u>Governmental Activities</u> <u>2004</u>
Receipts:		
Program receipts:		
Charges for services	\$ 894,209	\$ 834,154
Operating grants and special assessments	-	1,914
Total program receipts	<u>894,209</u>	<u>836,068</u>
General receipts:		
Property and other local taxes	7,153	7,625
Income taxes	90,253	83,413
Grants and entitlements not restricted to specific programs	13,758	11,545
Interest	40	1,023
Miscellaneous	<u>30,565</u>	<u>11,364</u>
Total receipts	<u>1,035,978</u>	<u>951,038</u>
Disbursements:		
General government	365,945	408,949
Security of persons and property	541,238	505,797
Public health services	-	181
Leisure time activities	3,505	3,109
Community environment	927	2,430
Basic utilities	15,399	18,696
Transportation	<u>10,697</u>	<u>50,880</u>
Total disbursements	<u>937,711</u>	<u>990,042</u>
Change in net assets	98,267	(39,004)
Net assets at beginning of year	<u>252,529</u>	<u>291,533</u>
Net assets at end of year	<u>\$ 350,796</u>	<u>\$ 252,529</u>

Program receipts represent 88.2 and 86.3 percent for 2004 and 2005, respectively, of total receipts and are primarily comprised of charges for services from court costs.

In 2004 and 2005, general receipts represent only 12.1 and 13.7 percent, respectively, of the Village’s total receipts. Of the general receipts, 79.18 percent in 2004 and 68.71 percent in 2005 are property and other local taxes and income taxes. Grants and entitlements make up 10.04 percent in 2004 and 9.70 percent in 2005 of the Village’s general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

**Village of Linndale  
Cuyahoga County**

**Management’s Discussion & Analysis (Unaudited) (continued)**

**For the Years Ended December 31, 2005 and 2004**

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Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs. Security of Persons and Property are the costs of police and fire protection; Public Health Services are county health department fees, and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities on page 10 for 2005 and page 17 for 2004, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons and property, which account for 41.31 and 51.09 percent in 2004 and 39.03 and 57.72 percent in 2005 of all governmental disbursements, respectively. The next two columns of the Statement, titled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)  
Governmental Activities

	Total Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2005</u>	Net Cost of Services <u>2004</u>
General government	\$ 365,945	\$ 408,949	\$ (324,646)	\$ (399,005)
Security of persons and property	541,238	505,797	311,244	320,216
Public health services	-	181	-	(181)
Leisure time activities	3,505	3,109	(3,505)	(3,109)
Community environment	927	2,430	(927)	(2,430)
Basic utilities	15,399	18,696	(14,971)	(18,585)
Transportation	<u>10,697</u>	<u>50,880</u>	<u>(10,697)</u>	<u>(50,880)</u>
Total disbursements	<u>\$ 937,711</u>	<u>\$ 990,042</u>	<u>\$ (43,502)</u>	<u>\$ (153,974)</u>

# **Village of Linndale Cuyahoga County**

## **Management's Discussion & Analysis (Unaudited) (continued)**

### **For the Years Ended December 31, 2005 and 2004**

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#### **The Government's Funds**

In 2004, total governmental funds had receipts of \$951,038 and disbursements of \$990,042, leaving a deficit of \$39,004, after the consideration of other financing sources and uses which net to zero. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$37,666 as the result of increasing costs of the Village. These increasing costs of the Village also caused a decrease in fund balance of \$3,750 for the Magistrate Fund.

In 2005, total governmental funds had receipts of \$1,039,130 and disbursements of \$940,863, leaving a surplus of \$98,267, after the consideration of other financing sources and uses which net to zero. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$37,358 as the result of increasing revenues of the Village. The Capital Improvements Fund also increased its ending fund balance by \$25,374, primarily due to an advance in from Other Governmental Funds of \$30,000.

#### **General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2004, the Village amended its General Fund budget. The Village's final estimated resource budget was less than actual receipts for the year by \$49,869. Likewise, the Village also had a final budget for appropriations that was greater than actual expenditures by \$31,500.

During 2005, the Village amended its General Fund budget. The Village's final budget was less than actual receipts for the year by \$39,880. Likewise, the Village also had a final budget for appropriations that was greater than actual expenditures by \$132,126.

#### **Capital Assets**

##### **Capital Assets**

The Village maintains a listing of its capital assets and infrastructure. These amounts are not required to be presented in the financial statements.

#### **Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Michael Toczek, Clerk of Courts, Village of Linndale, 4016 West 119<sup>th</sup> Street, Linndale, Ohio 44135.

**Village of Linndale**  
**Cuyahoga County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2005*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$350,796
<i>Total Assets</i>	<u>\$350,796</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$37,076
Unrestricted	<u>313,720</u>
<i>Total Net Assets</i>	<u>\$350,796</u>

See accompanying notes to the basic financial statements

**Village of Linndale**  
**Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2005*

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services	Governmental Activities
<b>Governmental Activities</b>			
General Government	\$369,097	\$41,299	(\$327,798)
Security of Persons and Property	541,238	852,482	311,244
Leisure Time Activities	3,505	0	(3,505)
Community Environment	927	0	(927)
Basic Utility Services	15,399	428	(14,971)
Transportation	10,697	0	(10,697)
<i>Total Governmental Activities</i>	<u>\$940,863</u>	<u>\$894,209</u>	<u>(46,654)</u>
<b>General Receipts</b>			
Property Taxes Levied for:			
General Purposes			7,153
Municipal Income Taxes			90,253
Grants and Entitlements not Restricted to Specific Programs			13,758
Interest			40
Miscellaneous			33,717
<i>Total General Receipts</i>			<u>144,921</u>
Change in Net Assets			98,267
<i>Net Assets Beginning of Year</i>			<u>252,529</u>
<i>Net Assets End of Year</i>			<u>\$350,796</u>

See accompanying notes to the basic financial statements

**Village of Linndale**  
**Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	General	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$226,781	\$37,076	\$86,939	\$350,796
<i>Total Assets</i>	<u>\$226,781</u>	<u>\$37,076</u>	<u>\$86,939</u>	<u>\$350,796</u>
<b>Fund Balances</b>				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$226,781	\$0	\$0	\$226,781
Special Revenue Funds	0	0	86,939	86,939
Capital Projects Funds	0	37,076	0	37,076
<i>Total Fund Balances</i>	<u>\$226,781</u>	<u>\$37,076</u>	<u>\$86,939</u>	<u>\$350,796</u>

See accompanying notes to the basic financial statements

**Village of Linndale  
Cuyahoga County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005*

	General	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Municipal Income Taxes	\$90,253	\$0	\$0	\$90,253
Property and Other Local Taxes	7,153	0	0	7,153
Charges for Services	199,278	20,271	108,202	327,751
Fines, Licenses and Permits	518,687	0	47,771	566,458
Intergovernmental	13,758	0	0	13,758
Interest	40	0	0	40
Miscellaneous	24,263	0	9,454	33,717
<i>Total Receipts</i>	<u>853,432</u>	<u>20,271</u>	<u>165,427</u>	<u>1,039,130</u>
<b>Disbursements</b>				
Current:				
General Government	302,912	24,897	41,288	369,097
Security of Persons and Property	468,434	0	72,804	541,238
Leisure Time Activities	3,505	0	0	3,505
Community Environment	927	0	0	927
Basic Utility Services	15,399	0	0	15,399
Transportation	10,697	0	0	10,697
<i>Total Disbursements</i>	<u>801,874</u>	<u>24,897</u>	<u>114,092</u>	<u>940,863</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>51,558</u>	<u>(4,626)</u>	<u>51,335</u>	<u>98,267</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		30,000		30,000
Transfers Out			(30,000)	(30,000)
Advances In			14,200	14,200
Advances Out	(14,200)			(14,200)
<i>Total Other Financing Sources (Uses)</i>	<u>(14,200)</u>	<u>30,000</u>	<u>(15,800)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	37,358	25,374	35,535	98,267
<i>Fund Balances Beginning of Year</i>	<u>189,423</u>	<u>11,702</u>	<u>51,404</u>	<u>252,529</u>
<i>Fund Balances End of Year</i>	<u>\$226,781</u>	<u>\$37,076</u>	<u>\$86,939</u>	<u>\$350,796</u>

See accompanying notes to the basic financial statements



**Village of Linndale  
Cuyahoga County**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis*

*General Fund*

*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$88,717	\$94,842	\$98,961	\$4,119
Charges for Services	178,649	190,984	199,278	8,294
Fines, Licenses and Permits	464,994	497,101	518,687	21,586
Intergovernmental	7,448	7,962	8,308	346
State and Shared Taxes and Permits	3,492	3,733	3,895	162
Interest	36	39	40	1
Miscellaneous	17,671	18,891	24,263	5,372
<i>Total receipts</i>	<u>761,007</u>	<u>813,552</u>	<u>853,432</u>	<u>39,880</u>
<b>Disbursements</b>				
Current:				
General Government	332,039	332,039	302,912	29,127
Security of Persons and Property	565,131	565,131	468,434	96,697
Leisure Time Activities	4,229	4,229	3,505	724
Community Environment	1,118	1,118	927	191
Basic Utility Services	18,578	18,578	15,399	3,179
Transportation	12,905	12,905	10,697	2,208
<i>Total Disbursements</i>	<u>934,000</u>	<u>934,000</u>	<u>801,874</u>	<u>132,126</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(172,993)</u>	<u>(120,448)</u>	<u>51,558</u>	<u>172,006</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	0	0	0	0
Advances In		0	0	0
Advances Out	(17,131)	(17,131)	(14,200)	2,931
<i>Total Other Financing Sources (Uses)</i>	<u>(17,131)</u>	<u>(17,131)</u>	<u>(14,200)</u>	<u>2,931</u>
<i>Net Change in Fund Balance</i>	<u>(190,124)</u>	<u>(137,579)</u>	<u>37,358</u>	<u>174,937</u>
<i>Fund Balance Beginning of Year</i>	189,423	189,423	189,423	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>(\$701)</u>	<u>\$51,844</u>	<u>\$226,781</u>	<u>\$174,937</u>

See accompanying notes to the basic financial statements

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**Village of Linndale**  
**Cuyahoga County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2004*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$252,529</u>
<i>Total Assets</i>	<u><u>\$252,529</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$11,702
Unrestricted	<u>240,827</u>
<i>Total Net Assets</i>	<u><u>\$252,529</u></u>

See accompanying notes to the basic financial statements

**Village of Linndale**  
**Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2004*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$408,949	\$9,944	\$0	(\$399,005)
Security of Persons and Property	505,297	824,099	1,914	320,716
Public Health Services	181	0	0	(181)
Leisure Time Activities	6,509	0	0	(6,509)
Community Environment	2,430	0	0	(2,430)
Basic Utility Services	18,696	111	0	(18,585)
Transportation	47,980	0	0	(47,980)
<i>Total Governmental Activities</i>	\$990,042	\$834,154	\$1,914	(153,974)
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				7,625
Municipal Income Taxes				83,413
Grants and Entitlements not Restricted to Specific Programs				11,545
Interest				1,023
Miscellaneous				11,364
<i>Total General Receipts</i>				114,970
Change in Net Assets				(39,004)
<i>Net Assets Beginning of Year</i>				291,533
<i>Net Assets End of Year</i>				\$252,529

See accompanying notes to the basic financial statements

**Village of Linndale**  
**Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2004*

	General	Magistrate Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$189,423	\$32,548	\$30,558	\$252,529
<i>Total Assets</i>	<u>\$189,423</u>	<u>\$32,548</u>	<u>\$30,558</u>	<u>\$252,529</u>
<b>Fund Balances</b>				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$189,423	\$0	\$0	\$189,423
Special Revenue Funds	0	32,548	18,856	51,404
Capital Projects Funds	0	0	11,702	11,702
<i>Total Fund Balances</i>	<u>\$189,423</u>	<u>\$32,548</u>	<u>\$30,558</u>	<u>\$252,529</u>

See accompanying notes to the basic financial statements

**Village of Linndale  
Cuyahoga County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2004*

	General	Magistrate Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Municipal Income Taxes	\$83,413	\$0	\$0	\$83,413
Property and Other Local Taxes	7,625	0	0	7,625
Charges for Services	213,247	20,590	113,020	346,857
Fines, Licenses and Permits	482,617	0	4,680	487,297
Intergovernmental	11,545	1,914	0	13,459
Interest	1,023	0	0	1,023
Miscellaneous	11,364	0	0	11,364
<i>Total Receipts</i>	<u>810,834</u>	<u>22,504</u>	<u>117,700</u>	<u>951,038</u>
<b>Disbursements</b>				
Current:				
General Government	277,900	26,254	104,795	408,949
Security of Persons and Property	449,804	0	55,493	505,297
Public Health Services	181	0	0	181
Leisure Time Activities	6,509	0	0	6,509
Community Environment	2,430	0	0	2,430
Basic Utility Services	18,696	0	0	18,696
Transportation	47,980	0	0	47,980
<i>Total Disbursements</i>	<u>803,500</u>	<u>26,254</u>	<u>160,288</u>	<u>990,042</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,334</u>	<u>(3,750)</u>	<u>(42,588)</u>	<u>(39,004)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	45,000	45,000
Transfers Out	(45,000)	0	0	(45,000)
Advances In	3,400	0	3,400	6,800
Advances Out	(3,400)	0	(3,400)	(6,800)
<i>Total Other Financing Sources (Uses)</i>	<u>(45,000)</u>	<u>0</u>	<u>45,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(37,666)</u>	<u>(3,750)</u>	<u>2,412</u>	<u>(39,004)</u>
<i>Fund Balances Beginning of Year</i>	<u>227,089</u>	<u>36,298</u>	<u>28,146</u>	<u>291,533</u>
<i>Fund Balances End of Year</i>	<u>\$189,423</u>	<u>\$32,548</u>	<u>\$30,558</u>	<u>\$252,529</u>

See accompanying notes to the basic financial statements

**Village of Linndale  
Cuyahoga County**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$81,032	\$86,805	\$92,494	\$5,689
Charges for Services	186,823	200,132	213,247	13,115
Fines, Licenses and Permits	425,792	452,935	482,617	29,682
Intergovernmental	6,599	7,069	7,533	464
State and Shared Taxes and Permits	2,239	2,398	2,556	158
Interest	896	961	1,023	62
Miscellaneous	9,956	10,665	11,364	699
<i>Total receipts</i>	<u>713,337</u>	<u>760,965</u>	<u>810,834</u>	<u>49,869</u>
<b>Disbursements</b>				
Current:				
General Government	261,500	261,500	277,900	(16,400)
Security of Persons and Property	485,449	485,449	453,753	31,696
Public Health Services	7,500	7,500	181	7,319
Leisure Time Activities	7,900	7,900	6,509	1,391
Community Environment	3,000	3,000	2,430	570
Basic Utility Services	25,000	25,000	18,696	6,304
Transportation	48,600	48,600	47,980	620
<i>Total Disbursements</i>	<u>838,949</u>	<u>838,949</u>	<u>807,449</u>	<u>31,500</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(125,612)</u>	<u>(77,984)</u>	<u>3,385</u>	<u>81,369</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	0	(45,000)	(45,000)	0
Advances In	2,979	2,979	3,400	421
Advances Out	0	(3,400)	(3,400)	0
<i>Total Other Financing Sources (Uses)</i>	<u>2,979</u>	<u>(45,421)</u>	<u>(45,000)</u>	<u>421</u>
<i>Net Change in Fund Balance</i>	<u>(122,633)</u>	<u>(123,405)</u>	<u>(41,615)</u>	<u>81,790</u>
<i>Fund Balance Beginning of Year</i>	227,089	227,089	227,089	0
Prior Year Encumbrances Appropriated	<u>3,949</u>	<u>3,949</u>	<u>3,949</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$108,405</u></u>	<u><u>\$107,633</u></u>	<u><u>\$189,423</u></u>	<u><u>\$81,790</u></u>

See accompanying notes to the basic financial statements

**Village of Linndale  
Cuyahoga County**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Magistrate Fund  
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Charges for Services	\$22,874	\$22,325	\$20,590	(\$1,735)
Interest	2,126	2,075	1,914	(161)
<i>Total receipts</i>	<u>25,000</u>	<u>24,400</u>	<u>22,504</u>	<u>(1,896)</u>
<b>Disbursements</b>				
Current:				
General Government	<u>12,000</u>	<u>70,000</u>	<u>26,254</u>	<u>43,746</u>
<i>Net Change in Fund Balance</i>	13,000	(45,600)	(3,750)	41,850
<i>Fund Balance Beginning of Year</i>	36,298	36,298	36,298	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$49,298</u></u>	<u><u>(\$9,302)</u></u>	<u><u>\$32,548</u></u>	<u><u>\$41,850</u></u>

See accompanying notes to the basic financial statements



**Village of Linndale**  
**Cuyahoga County**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2004*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$9,740
<i>Total Assets</i>	<u><u>\$9,740</u></u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$9,740</u></u>

See accompanying notes to the basic financial statements

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**Note 1 – Reporting Entity**

The Village of Linndale, Cuyahoga County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and bridges, park operations, police services, and Mayor's Court. The Village contracts with the City of Cleveland for fire protection services.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

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

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Note 2 – Summary of Significant Accounting Policies** (continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash and cash equivalent balances of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds for 2005 are the General Fund and the Capital Improvements Fund. For 2004, the Village's major governmental funds are the General Fund and the Magistrate Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Capital Improvements Fund accounts for the various projects of the Village financed by tax monies and General Fund subsidies. The Magistrate Fund receives money from the Mayor's Court to pay for magistrate services to the Mayor's Court. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for fees collected by the Mayor's Court. In 2005 all payments to various agencies were completed.

**Note 2 – Summary of Significant Accounting Policies** (continued)

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

**Note 2 – Summary of Significant Accounting Policies** (continued)

During 2005 and 2004, the Village invested in a business savings account. The Village's business savings account investment is recorded at the amount reported by Huntington National Bank at December 31, 2005 and 2004.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 and 2004 was \$40 and \$1,023, respectively.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has no restricted assets.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for capital projects include resources restricted for financing major capital improvements within the Village, none of which is restricted by enabling legislation.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**Note 2 – Summary of Significant Accounting Policies** (continued)

**N. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

**O. Interfund Transactions**

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Accountability and Compliance**

**Compliance**

Contrary to ORC section 5705.39, the Magistrate and Computer Special Revenue funds had 2004 final appropriations in excess of estimated resources plus beginning balances in the amount of \$9,302 and \$5,000, respectively.

Contrary to ORC section 5705.41(B), the General fund function level had expenditures plus encumbrances in excess of final appropriations in the amount of \$16,400, Fund in amount of \$5,692 at December 31, 2004, and in 2005 the Magistrate Fund in amount of \$22,294.

The Village was also in violation of ORC sections, 5705.41(D), 1905.21, 2743.70, 731.13 and Attorney General Opinion 82-006.

Management has indicated that appropriations and estimated resources will be closely monitored to ensure no future violations.

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the 2005 and 2004 General fund and, for 2004, the Magistrate Special Revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end 2004 (budgetary basis) amounted to \$3,949 for the General fund.

**Note 6 – Deposits and Investments**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.



**Note 6 - Deposits and Investments** (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2005 and 2004, \$260,125 and \$287,113 of the Village's bank balance of \$400,198 and \$388,441, respectively, was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Note 7 – Income Taxes**

The Village levies a 2 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village.

Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**Note 8 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 and 2004 represent the collection of 2004 and 2003 taxes. Real property taxes received in 2005 and 2004 were levied after October 1, 2004 and 2003, on the assessed values as of January 1, 2004 and 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 and 2004 represent the collection of 2004 and 2003 taxes. Public utility real and tangible personal property taxes received in 2005 and 2004 became a lien on December 31, 2004 and 2003, were levied after October 1, 2004 and 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 and 2004 (other than public utility property) represent the collection of 2005 and 2004 taxes. Tangible personal property taxes received in 2005 and 2004 were levied after October 1, 2004 and 2003, on the true value as of December 31, 2004 and 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**Note 8 – Property Taxes (Continued)**

The full tax rate for all Village operations for the year ended December 31, 2005 and 2004, was \$2.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

Real Property	2005	2004
Residential/Agricultural	\$ 653,400	\$ 654,450
Commercial/Industrial/Mineral	1,646,330	1,501,480
Tangible Personal Property		
Business	465,280	401,473
Public Utility	404,530	370,160
Total Assessed Value	\$3,169,540	\$2,927,563

**Note 9 – Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides health insurance to full-time employees through a private carrier. The Village's liability for health care is limited to the premiums paid.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**Note 10 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**Note 10 – Defined Benefit Pension Plans (Continued)**

**A. Ohio Public Employees Retirement System (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2005 and 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2005 and 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$28,771, \$29,603, and \$29,187 respectively. The full amount has been contributed for 2005, 2004 and 2003. Village employees do not participate in the member-directed plan.

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2005, 2004, and 2003 were \$14,118, \$13,572, and \$13,845. The full amount has been contributed for 2005, 2004 and 2003.

**Note 11 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.0 percent of covered payroll was the portion that was used to fund health care.

**Note 11 - Postemployment Benefits (Continued)**

**A. Ohio Public Employees Retirement System (Continued)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$12,051 and \$16,119, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 and 2004 that were used to fund postemployment benefits were \$9,312 and \$8,952 for police. The OP&F's total health care expense for the year ended December 31, 2005 was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

Village of Linndale  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

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**Note 12 – Interfund Transfers**

During 2005 the Village transferred \$30,000 from the Other Governmental Funds to the Capital Improvement Major Governmental Fund.

During 2004 the Village transferred \$45,000 from the General Fund to Other Governmental Funds.

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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 Linndale  
Cuyahoga County  
4016 West 119<sup>th</sup> Street  
Linndale, Ohio 44135

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Linndale, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2005 and December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 2, 2008, wherein we noted, for the year ended December 31, 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. We also noted the Village uses the Auditor of State's 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. 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. 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 in order 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. The reportable conditions are described in the accompanying schedule of findings as items 2005-001 and 2005-002.

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 May 2, 2008, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
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### **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 2005-003 through 2005-009. In a separate letter to the Village's management dated May 2, 2008, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

May 2, 2008



**VILLAGE OF LINNDALE  
CUYAHOGA COUNTY**

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

**FINDING NUMBER 2005 – 001**

**Timely Posting and Classifying Receipts – Reportable Condition**

Our testing of intergovernmental revenues noted 14 of 53 transactions tested in 2004 and 13 of 55 transactions tested in 2005, were received but not recorded on the Village's account ledgers for at least 7 days from when funds were direct deposited into the Village's checking accounts. We noted most of the property tax receipts, which were also direct deposited, were not timely recorded in the Village's account ledgers.

In November, 2004 a \$75,339 court remittance deposited with the bank on November 10<sup>th</sup> was not recorded in the account ledgers until December 14<sup>th</sup>. In August, 2005 a \$65,992 court remittance deposited with the bank on August 12<sup>th</sup> was not recorded in the account ledgers until September 20<sup>th</sup>.

During our review of monthly bank reconciliations, we noted the untimely posting of receipts required adjustments to the bank reconciliations to deduct the deposit from the bank balance since it was not posted to the account ledgers by the Clerk/Treasurer. The untimely recording of receipts can heighten the risk of material misstatement in the financial statements and lead to problems in reconciling deposits with cash activity recorded in the Village's account ledgers.

We recommend all cash activity be recorded in the Village's account ledgers in a timely manner and be properly recorded as to source of revenue the Village received.

*Official's Response:*

A newly appointed Clerk-Treasurer is in the process of attending informational and training classes. This person will oversee postings to the UAN system. The administration will attend to oversight on a more rigorous basis. The Treasurer of the State of Ohio has informed us they will no longer notify us of direct deposits of State funding to our accounts. This may result in late postings of State deposited monies.

**FINDING NUMBER 2005 – 002**

**Proper Posting to Account Ledgers – Reportable Condition**

In our testing of the nonpayroll disbursement cycle, we noted 7 out of 40 transactions tested (17 percent) for 2004 and 4 out of 40 transactions tested (10 percent) for 2005 where the transactions were incorrectly posted to program and object codes. For example, purchases of flower arrangements were charged to mayor court or police department as operational supplies. Summer events, Christmas parties, and the Halloween party were posted to street construction and mayor's court accounts and charged as operational supplies when they should have been reported as recreational or other general government expenditures.

When financial transactions are not properly posted as to fund, program and object codes as designated by fund accounting, a risk exists that financial statements may be misleading and not representative of the financial activity and spending of resources.

Due professional care should be exercised in the coding of transactions to ensure financial activity is properly coded within the account ledgers as to fund, program and object level. The person responsible for data entry should be familiar with fund accounting and the Uniform Accounting Network coding for governmental accounting.

VILLAGE OF LINNDALE  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND DECEMBER 31, 2004  
(CONTINUED)

FINDING NUMBER 2005 – 002

**Proper Posting to Account Ledgers – Reportable Condition (Continued)**

*Official's Response:*

A newly appointed Clerk-Treasurer is in the process of attending informational and training classes. This person will oversee postings to the UAN system. The administration will attend to oversight on a more rigorous basis.

FINDING NUMBER 2005 – 003

**Council Notification of Part Time Raises – Noncompliance Finding**

Ohio Rev. Code Section 731.13 states the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise provided by law. A committee for approving wage increases for part-time employees is made up of the mayor, police chief and one council person. The Committee then presents to Council the names of part-time employees receiving wage increases. Our review of part-time workers pay rates and those who have received a wage increase did not support any acknowledgement in the record of Council minutes or in the employee's file to indicate Council's approval for the part-time employee's increase in wages.

We recommend when the Committee approves and grants a part-time wage increase, a notification should be placed in the employee's payroll file with Village Council approval of the increase documented in the minutes of Council.

*Official's Response:*

We categorically state that Council was apprised of all employee raises; notification may not have been properly recorded in Council Minutes.

FINDING NUMBER 2005 – 004

**Expenditure of Public Funds/Proper "Public Purpose" – Noncompliance Finding**

*State ex rel. McClure v. Hagerman* (1951), 155 Ohio St. 320, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

Through our review of the expenditures of the Village, we noted payments for Christmas parties, Halloween parties, and summer picnics for Village residents. In addition, various expenditures were made for flowers and gift baskets for employees and their families who were sick or a family member who had passed away. Some of the flowers were for political associates living outside the Village. These General Fund expenditures cost the Village \$3,667 and \$3,227 for 2004 and 2005, respectively. In our review of the minutes of Village Council, we did not note prior approval of Council or a Council approved policy governing prior authorization by Council for these types of expenditures.

**VILLAGE OF LINNDALE  
CUYAHOGA COUNTY**

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

**FINDING NUMBER 2005 – 004**

**Expenditure of Public Funds/Proper “Public Purpose” – Noncompliance Finding (Continued)**

We recommend expenditures of public funds for parties, meals, flowers or other amenities have prior authorization by Village Council through an ordinance or resolution whereby, Council indicates their approval and the reasons the expenditure(s) constitute a proper public purpose.

*Official’s Response:*

Council has established for FY 2007 specific funds and appropriated specific amounts for these community activities. Nomenclature seems to be the problem here. Council had previously been notified and authorized ‘not to exceed’ limits for the various Village functions.

**FINDING NUMBER 2005 – 005**

**Expenditures plus Encumbrances Exceeding Appropriations – Noncompliance Finding**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. On December 31, 2004, the following funds had final expenditures plus encumbrances exceeding authorized appropriations, at the Village’s legal level of appropriation:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures Plus Encumbrances</b>	<b>Variance</b>
General Fund			
General Government	\$261,500	\$277,900	(\$16,400)
Tow Fund	\$25,000	\$30,692	(\$5,692)

On December 31, 2005, the following fund had final expenditures plus encumbrances exceeding authorized appropriations, at the fund level:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures Plus Encumbrances</b>	<b>Variance</b>
Magistrate Fund	\$25,000	\$47,394	(\$22,394)

Monitoring annual appropriations is vital for maintaining sound budgetary practices. By not monitoring the appropriations, expenditures plus encumbrances could result in funds exceeding the total available fund balance.

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 to maintain compliance with the above requirement.

*Official’s Response:*

A newly appointed Clerk-Treasurer is in process of attending informational and training classes. This person will oversee postings to the UAN system. The administration will attend to oversight on a more rigorous basis.

VILLAGE OF LINNDALE  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND DECEMBER 31, 2004  
(CONTINUED)

FINDING NUMBER 2005 – 006

**Appropriations Exceeding Estimated Resources – Noncompliance Finding**

Ohio Rev. Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimated or amended official certificate. On December 31, 2004 the following funds had appropriations exceeding estimated resources plus unencumbered balance at the fund level:

<b>Fund</b>	<b>Appropriations</b>	<b>Estimated Resources Plus Unencumbered Balance</b>	<b>Variance</b>
Magistrate Fund	\$70,000	\$60,698	(\$9,302)
Computer Fund	\$35,000	\$30,000	(\$5,000)

Monitoring annual appropriations is vital for maintaining sound budgetary practices. Not monitoring the estimated resources and unencumbered balance with appropriations could result in funds exceeding the total available fund balance.

We recommend the Village verify that all appropriations do not exceed estimated resources in all legally budgeted funds to maintain compliance with the above requirement.

*Official's Response:*

A newly appointed Clerk-Treasurer is in process of attending informational and training classes. This person will oversee postings to the UAN system. The administration will attend to oversight on a more rigorous basis.

FINDING NUMBER 2005 – 007

**Additional Court Cost for State General Revenue Fund – Noncompliance Finding**

Ohio Rev. Code Section 2743.70 requires a court in which any person is convicted of or pleads guilty to any offense other than a traffic offense which is not a moving violation to impose and collect additional costs to be used for the state's reparations fund. The court may not waive the payment of this additional cost unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender. In testing court distributions and court cost allocations we noted that for the year 2004 and up through April 2005, the Mayor's court had not collected the additional fines to be used for the state's reparations fund. It is estimated the State lost \$15,840 in uncollected reparation payments.

We recommend the Mayor's Court impose and collect the additional costs to be paid to the States' reparations fund.

*Official's Response:*

The Village of Linndale was not notified of the increase in State reparations. The State of Ohio previously audited the Mayor's Court documents during the time when this increase was said to be in effect and did not have findings for this condition. The Village of Linndale discovered, through a third party, that the costs had increased and immediately verified and put into effect that increase. We do not agree that a finding should be stated for a condition the State failed to notify us of, and failed again during previous audits to notify us.

VILLAGE OF LINNDALE  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND DECEMBER 31, 2004  
(CONTINUED)

FINDING NUMBER 2005 – 008

**Remittance of State Fines – Noncompliance Finding**

Ohio Rev. Code Section 9.39 states public officials are liable for all public moneys received or collected by them or their subordinates under color of office. In addition, O.R.C. Section 1905.21 provides that the mayor must account for and dispose of all fines, costs, and forfeitures that he collects as provided by O.R.C. Section 733.40. Ohio Rev. Code Sections 2743.70(A)(1)(b) and 2949.091(A)(1) require, in part, the collection of additional court costs of \$9 and \$15, respectively, when any person is convicted or pleads guilty to any offense other than a traffic offense that is not a moving violation. O.R.C. Section 2743.70(A)(1) requires the \$9 fee be transmitted on the first business day of each month by the Clerk of Court to the Treasurer of State. O.R.C. Section 2949.091(A)(1) requires the \$15 fee be transmitted on or before the twentieth day of the following month by the Clerk of the Court to the Treasurer of the State.

During the testing of fiscal year 2004 and 2005 we noted in 16 of the 22 months the Clerk of Court did not remit payments to the State on or before the twentieth of the subsequent month. In April and October of 2004, the Clerk of Court had failed to file and remit payments to the Treasurer of the State. While under audit the Clerk of Court remitted to the Treasurer of the State, on March 16, 2007, the amount of \$12,313 representing moneys owed the Treasurer of State for the months of April and October, 2004.

We recommend the Village remit all required collected moneys to the Treasurer of State on or before the first or twentieth day of the month following the month the state costs were collected. Also, we recommend the Clerk of Court establish procedures to ensure all monthly reports are filed with the State and reparation payments collected are remitted timely to the Treasurer of State.

*Official's Response:*

The Village is now remitting all monies collected directly from the Mayor's Court account.

FINDING NUMBER 2005 – 009

**Certification of Monies – Noncompliance Finding**

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 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 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 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

VILLAGE OF LINNDALE  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND DECEMBER 31, 2004  
(CONTINUED)

FINDING NUMBER 2005 – 009

**Certification of Monies – Noncompliance Finding (Continued)**

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided 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 extended beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-eight of forty (70 percent) for 2004 and thirty of forty (75 percent) for 2005 of non-payroll purchase order transactions tested were not certified by the fiscal officer (Clerk/Treasurer) 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 could result in overspending funds and deficit cash balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over cash disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer (Clerk/Treasurer) 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 (Clerk/Treasurer) 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 (Clerk/Treasurer) should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

*Official’s Response:*

A newly appointed Clerk-Treasurer is in the process of attending informational and training classes. This person will oversee postings to the UAN system. The administration will attend to oversight on a more rigorous basis.

**VILLAGE OF LINNDALE  
CUYAHOGA COUNTY**

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2003-001	Traffic Ticket Reconciliation	Yes	Reconciliation performed monthly
2003-002	Segregation of Duties	Yes	Separation of responsibilities with employees
2003-003	Finding for Recovery for Improper Payment of Sick Leave – Ohio Rev. Code Section 124.38	Yes	Paid under prior audit
2003-004	Approval of Pay Rates for Part-time Employees	No	Finding not corrected – reissued as 2005-003
2003-005	Expenditure of Public Funds/Proper “Public Purpose”	No	Finding not corrected – reissued as 2005-004
2003-006	In-term Increase in Council – Ohio Rev. Code Section 731.07	Yes	Repaying amount back through payroll deduction.
2003-007	Compensation Increase for the Mayor – Ohio Rev. Code Section 1905.21	Yes	Repaying amount back through payroll deduction.
2003-008	Benefits Increase for the Mayor – Ohio Constitution art. XVIII, Section 3	Yes	Repaying amount back through payroll deduction.
2003-009	Remittance of State Fines – Ohio Rev. Code Section 9.39	No	Finding not corrected – reissued as 2005-008
2003-010	Daily Deposits - Ohio Rev. Code Section 9.38	No	Partially corrected – repeated as a management letter comment.
2003-011	Expenditures plus Encumbrances Exceeding Appropriations - Ohio Rev. Code Section 5705.41(B)	No	Finding not corrected – reissued as 2005-005







**Mary Taylor, CPA**  
Auditor of State

VILLAGE OF LINNDALE

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  
JULY 8, 2008