



**Auditor of State
Betty Montgomery**

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village Council
Village of Linndale
Cuyahoga County
4016 West 119th Street
Linndale, Ohio 44135

We have audited the accompanying financial statements of the Village of Linndale, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village 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 opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Linndale, Cuyahoga County, Ohio, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2005, 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.

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This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 14, 2005

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$9,323	\$0	\$0	\$9,323
State Shared Taxes and Permits	78,103	0	0	78,103
Intergovernmental Receipts	12,263	0	0	12,263
Charges for Services	18,695	0	0	18,695
Fines, Licenses, and Permits	647,647	113,817	21,224	782,688
Earnings on Investments	237	0	0	237
Miscellaneous	12,946	9,758	0	22,704
	<u>779,214</u>	<u>123,575</u>	<u>21,224</u>	<u>924,013</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	406,303	101,087	0	507,390
Leisure Time Activities	1,102	0	0	1,102
Community Environment	298	0	0	298
Basic Utility Services	20,080	0	0	20,080
Transportation	38,622	0	0	38,622
General Government	208,907	44,905	0	253,812
	<u>675,312</u>	<u>145,992</u>	<u>0</u>	<u>821,304</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>103,902</u>	<u>(22,417)</u>	<u>21,224</u>	<u>102,709</u>
Other Financing Receipts and (Disbursements):				
Sale of Fixed Assets	350	0	0	350
Other Financing Sources	2,467	0	0	2,467
Other Financing Uses	(252)	0	0	(252)
	<u>2,565</u>	<u>0</u>	<u>0</u>	<u>2,565</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	106,467	(22,417)	21,224	105,274
Fund Cash Balances, January 1	<u>120,622</u>	<u>62,513</u>	<u>3,124</u>	<u>186,259</u>
Fund Cash Balances, December 31	<u>\$227,089</u>	<u>\$40,096</u>	<u>\$24,348</u>	<u>\$291,533</u>
Reserves for Encumbrances, December 31	<u>\$3,949</u>	<u>\$272</u>	<u>\$0</u>	<u>\$4,221</u>

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

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Agency</u>
Operating Cash Receipts:	
Mayor's Court Receipts	<u>\$803,249</u>
Total Operating Cash Receipts	<u>803,249</u>
Operating Cash Disbursements:	
Mayor's Court Disbursements	<u>808,492</u>
Total Operating Cash Disbursements	<u>808,492</u>
Operating Income/(Loss)	<u>(5,243)</u>
Fund Cash Balances, January 1	<u>61,996</u>
Fund Cash Balances, December 31	<u>\$56,753</u>

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

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$4,734	\$0	\$0	\$4,734
State Shared Taxes and Permits	76,686	0	0	76,686
Intergovernmental Receipts	18,929	0	0	18,929
Charges for Services	6,323	0	0	6,323
Fines, Licenses, and Permits	601,031	123,411	3,124	727,566
Earnings on Investments	874	0	0	874
Miscellaneous	6,788	12,824	0	19,612
	<u>715,365</u>	<u>136,235</u>	<u>3,124</u>	<u>854,724</u>
Total Cash Receipts				
	<u>715,365</u>	<u>136,235</u>	<u>3,124</u>	<u>854,724</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	408,182	59,133	0	467,315
Public Health Services	74	0	0	74
Leisure Time Activities	145	0	0	145
Community Environment	250	0	0	250
Basic Utility Services	12,277	0	0	12,277
Transportation	28,294	0	0	28,294
General Government	206,660	28,828	0	235,488
	<u>655,882</u>	<u>87,961</u>	<u>0</u>	<u>743,843</u>
Total Cash Disbursements				
	<u>655,882</u>	<u>87,961</u>	<u>0</u>	<u>743,843</u>
Total Receipts Over/(Under) Disbursements	<u>59,483</u>	<u>48,274</u>	<u>3,124</u>	<u>110,881</u>
Fund Cash Balances, January 1	<u>61,139</u>	<u>14,239</u>	<u>0</u>	<u>75,378</u>
Fund Cash Balances, December 31	<u><u>\$120,622</u></u>	<u><u>\$62,513</u></u>	<u><u>\$3,124</u></u>	<u><u>\$186,259</u></u>
Reserves for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$6,529</u></u>	<u><u>\$0</u></u>	<u><u>\$6,529</u></u>

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

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Agency</u>
Operating Cash Receipts:	
Mayor's Court Receipts	<u>\$767,724</u>
Total Operating Cash Receipts	<u>767,724</u>
Operating Cash Disbursements:	
Mayor's Court Disbursements	<u>750,499</u>
Total Operating Cash Disbursements	<u>750,499</u>
Operating Income/(Loss)	<u>17,225</u>
Fund Cash Balances, January 1	<u>44,771</u>
Fund Cash Balances, December 31	<u><u>\$61,996</u></u>
Reserve for Encumbrances, December 31	<u><u>\$0</u></u>

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

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Linndale, Cuyahoga County, (the Village) is a body corporate and politic 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 publicly-elected six-member Council. The Village provides general governmental services including police, road maintenance, Mayor's Court, and recreation. The Village contracts with the City of Cleveland for fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and 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 disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Computer Fund – This fund receives money from the Mayor's Court to pay for upgrade of technological computer service. This includes services provided by the Uniform Accounting Network and by outside sources.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. **Fund Accounting (Continued)**

2. **Special Revenue Funds (Continued)**

Tow Fund – This fund receives money from individuals who had their vehicles impounded by the Police and from individuals who had their vehicles towed by outside sources.

Jail Fund – This fund receives money from the Mayor's Court to pay for outside source prisoner housing.

Magistrate Fund – This fund receives money from the Mayor's Court to pay for magistrate services to the Mayor's Court.

3. **Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following capital project fund:

Municipal Court Construction Fund - This fund receives fees on court cases that are restricted for Court construction and/or improvement.

4. **Fiduciary Fund (Agency Fund)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following fiduciary fund:

Mayor's Court Fund – This fund receives fees from traffic violations. A portion of these fees are paid to the Village's General Fund and the remainder is remitted to the State of Ohio.

E. **Budgetary Process**

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

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level for the General fund and fund level for all other funds, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$348,286	\$242,934
Certificates of deposit	0	5,321
Total deposits and investments	\$348,286	\$248,255

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$695,485	\$782,031	\$86,546
Special Revenue	105,959	123,575	17,616
Capital Projects	0	21,224	21,224
Total	\$801,444	\$926,830	\$125,386

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$720,480	\$679,513	\$40,967
Special Revenue	132,329	146,264	(13,935)
Capital Projects	15,000	0	15,000
Total	\$867,809	\$825,777	\$42,032

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$654,303	\$715,365	\$61,062
Special Revenue	94,550	136,235	41,685
Capital Projects	0	3,124	3,124
Total	\$748,853	\$854,724	\$105,871

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$685,000	\$655,882	\$29,118
Special Revenue	135,903	94,490	41,413
Capital Projects	0	0	0
Total	\$820,903	\$750,372	\$70,531

Contrary to Ohio law, at December 31, 2003, budgetary expenditures exceeded appropriation authority in the Computer Fund (\$150), Tow Fund (\$179), Jail Fund (\$19,170), and Magistrate Fund (\$235). For the year ended December 31, 2002, budgetary expenditures exceeded appropriation authority in the Tow Fund by \$11,909.

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)**

4. PROPERTY TAX (Continued)

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

7. 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.

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Auditor of State Betty Montgomery

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

Members of Village Council
Village of Linndale
Cuyahoga County
4016 West 119th Street
Linndale, Ohio 44135

We have audited the financial statements of the Village of Linndale, Cuyahoga County, Ohio, (the Village), as of and for the year ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated July 14, 2005 wherein we 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

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. We consider reportable condition 2003-001 listed above to be a material weakness. In a separate letter to the Village's management dated July 14, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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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 2003-003 through 2003-011. In a separate letter to the Village's management dated July 14, 2005, 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.



Betty Montgomery
Auditor of State

July 14, 2005

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002

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

FINDING NUMBER 2003 – 001

Traffic Ticket Reconciliation

During our review of the Mayor's Court, we noted a reconciliation and review of issued and voided traffic tickets was not being performed by the Clerk of Courts. The completeness of cases heard by the Mayor's Court and resultant revenue collected could not be substantiated by the audit process without performing a substantial number of alternative procedures.

To ensure completeness of the Court's operations, we recommend the Clerk of Courts perform a reconciliation of issued, unissued, and voided traffic tickets to the ticket log book maintained by the Police Department on a monthly basis.

FINDING NUMBER 2003 – 002

Segregation of Duties

The responsibilities of the administration of the accounting function and Mayor's Court function should be sufficiently segregated. Currently, functions relating to the receipting, disbursing, depositing of cash, reconciling and reporting are mainly performed by the Clerk of Courts.

This practice increases the risk that errors or irregularities in the accounting and reporting of the Village's financial activities and Mayor's Court activity could occur. Further, errors may not be detected in a timely manner in order to ensure the accuracy of the financial and Mayor's Court activities.

We recommend the Village implement the following procedures:

- Someone other than the Clerk of Courts should review monthly reports and agree to supporting documentation. This review should be documented by the initials of the reviewer.
- The Clerk-Treasurer, rather than the Clerk of Courts, should perform the bank account reconciliation.
- An individual, other than the Clerk of Courts, should be responsible to answer questions related to the UAN function and fund structure.

FINDING NUMBER 2003 – 003

Finding for Recovery (Repaid Under Audit) – Improper Payment of Sick Leave

Ohio Rev. Code Section 124.38 states sick leave can be used for absence due to personal illness, pregnancy, injury, exposure to contagious disease, and illness, injury or death to an employee's immediate family. Further, Ohio Administrative Code Section 123: 1-32-05(C) states an employee who fails to comply with Section 124.38 shall not be allowed to use sick leave for time absent from work under such noncompliance. Finally, sick leave cannot be advanced to a person, but must be taken at the time of such occurrence as listed in Ohio Rev. Code Section 124.38.

The March 4, 2003 minutes of Village Council states, "Christine Mystic, our village hall cleaning lady, has requested two weeks of vacation to go to Florida with her family. Council will discuss giving Christine a one-time gift of leave with pay at the next meeting." Our review of the council minutes subsequent to the March 4, 2003 meeting did not disclose such a discussion. On or about May 30, 2003, check number 13484 was issued to Ms. Mystic for payment of fifteen (15) hours of regular work hours and forty-five (45) hours of advanced sick leave hours. This check was issued to Ms. Mystic prior to her vacation.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(CONTINUED)

FINDING NUMBER 2003 – 003

Finding for Recovery (Repaid Under Audit) – Improper Payment of Sick Leave (continued)

In accordance with the foregoing facts, a Finding for Recovery for public monies illegally expended is hereby issued against Christine Mystic and Clarendon National Insurance Company, her bonding company, Jo Ann Toczek, Mayor, and the Fidelity and Deposit Company of Maryland, her bonding company, and Steven Z. Pokrandt, President of Council, and Clarendon National Insurance Company, his bonding company, jointly and severally, in favor of the Village of Linndale and in the amount of \$346.81, calculated as follows:

45 Hours of Advanced Sick Leave at \$7.00/hour	\$315.00
Employer's Share of PERS at 8.55%	26.93
Employer's Share of Medicare at 1.45%	<u>4.88</u>
Total Finding for Recovery	<u>\$346.81</u>

On August 29, 2005, the above finding for recovery was repaid in full to the Village of Linndale.

FINDING NUMBER 2003 – 004

Approval of Pay Rates for Part-time Employees

Rulings filed in the case of *C. B. Transportation, Inc. v. Butler County Board of Mental Retardation*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979), as well as, *Burkholder v. Lauber*, 6 Ohio Misc. 152 (1965), held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a local government's governing board would be prohibited from delegating duties statutorily assigned to it, such as the ability to authorize wage rates.

For 2003 and 2002, forty-three of sixty (71%) and forty-two of sixty (70%), respectively, payroll transactions reviewed did not have supporting documentation indicating that Village Council approved the employees' pay rate. Discussions with management disclosed that Village Council created a sub-committee composed of the Mayor, Police Chief, and a member of Council to review and approve pay rates for part-time employees without having those rates approved by Village Council as a whole.

We recommend that after the wage rates have been determined by the sub-committee, the rates be presented to Village Council for their approval. We further recommend that Village Council pass a retroactive ordinance to approve the rates paid for past services rendered.

FINDING NUMBER 2003 – 005

Expenditure of Public Funds/Proper "Public Purpose"

Ohio Attorney General Opinion 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of *State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides guidance as to what may be construed as a public purpose. There are two criteria that demonstrate whether expenditures are for a public purpose. First, the expenditure is required for the general good of all inhabitants. Second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(CONTINUED)**

FINDING NUMBER 2003 – 005

Expenditure of Public Funds/Proper “Public Purpose” (continued)

The determination of what constitutes a public purpose is primarily a legislative function. As such, the decision to expend public funds “...must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only.” 1982 Op. Atty. Gen No.82-006.

Ohio Revised Code Section 149.351(A) requires that all records which are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under sections 149.38 to 149.42 of the Ohio Rev. Code.

Through our review of the expenditures of the Village we noted payments for Christmas parties, a clam bake, a “Country Barbecue”, and flowers for employees. No supporting documentation was provided for certain expenditures, and several invoices appeared to have been lost or misplaced. These expenditures cost the Village \$1,949 and \$3,427 for 2002 and 2003, respectively. These costs were paid from the Village’s General Fund.

In our review of the minutes of Village Council, we did not note a Council approved policy governing prior authorization by Council for these types of expenditures. An ordinance or resolution should be adopted by the Council indicating its approval and the reasons the expenditure(s) constitute a proper public purpose.

In the future, we recommend that expenditures of public funds for coffee, meals, refreshments or other amenities have prior authorization by Village Council and be in line with all applicable laws and regulations.

FINDING NUMBER 2003 – 006

In-term Increase in Council’s Salary

Ohio Rev. Code Section 731.07 states that the salary of any officer of a city shall not be increased or diminished during the term for which he was elected or appointed. On July 1, 2003, Village Council passed Ordinance No. 2003-06, “. . .increasing the rate of compensation for council members from \$85.00 per month to \$100.00, effective July 1, 2003, payable July 1, 2003 . . . with an additional 25.00 for the position of Council President.” This ordinance appears to constitute an in-term salary increase for the members of the Village Council.

The members of Village Council and their terms of office were as follows:

<u>Council Member</u>	<u>Term Beginning</u>	<u>Term Ending</u>
Steven Pokrandt, President of Council	January 1, 2002	December 31, 2005
Joyce Cooper	January 1, 2000	December 31, 2003
Larry Cooper	January 1, 2002	December 31, 2005
Julianne Ostrowski	January 1, 2002	December 31, 2005
George Papcum	January 1, 2000	December 31, 2003
Leonard D. Ridgeway, Jr.	January 1, 2002	December 31, 2005

We recommend that the two members of Council whose term expired on December 31, 2003 repay the Village for six months of overpayment. For the members of Council whose term expires on December 31, 2005, we recommend that they reimburse the Village for \$15.00 for each month for which they were overpaid.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(CONTINUED)

FINDING NUMBER 2003 – 007

Compensation Increase for the Mayor

Ohio Rev. Code Section 1905.21 designates Sections 731.08 and 731.13 as those sections providing for the salary of the mayor. Ohio Rev. Code Section 731.13 states that 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. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed.

1955 Ohio Attorney General Opinion Number 4846 states that where a village subject to the provisions of R.C. 731.13 has a population of less than 2,000 and has not been required to hold a primary election, the meeting to fix the compensation for all offices must be held not later than five days prior to 4:00 PM on the ninetieth [now seventy-fifth] day before the day of the general election, as provided by Ohio Rev. Code Section 3513.251.

As the general election for 2003 was held on November 4, the latest date for approving a salary increase for the mayor, based on 1955 OAG 4846, would be not later than five days prior to 4:00 p.m. on the seventy-fifth day before November 4, 2003. On November 4, 2003, Village Council passed Ordinance No. 2003-15 increasing the compensation for the Mayor effective January 1, 2004, the date her current term of office began. As a result of the proper statutory deadlines not being complied with, the Mayor would be prohibited from accepting the increased compensation until the term beginning after December 31, 2007.

We recommend the Mayor reimburse the Village for \$194.34 for each month of the overpayment, calculated as follows:

Salary effective January 1, 2004	\$11,000.00
Less prior salary	<u>- 8,880.00</u>
Annual overpayment	2,120.00
Divided by the number of months in a year	<u>/ 12</u>
Salary overpayment per month	176.67
Add employer's share of PERS at 8.55%	15.11
Add Employer's share of Medicare at 1.45%	<u>2.56</u>
Total monthly overpayment	<u>\$ 194.34</u>

If this overpayment is not reimbursed to the Village, a finding for recovery will be proposed.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(CONTINUED)**

FINDING NUMBER 2003 – 008

Benefits Increase for the Mayor

Ohio Constitution art. XVIII, Section 3 is a direct grant of power to all municipalities to exercise local self-government. Northern Ohio Patrolmen's Benevolent Assoc. v. City of Parma, 61 Ohio St. 2d 375 (1980). Compensation of municipal employees is a matter of substantive, not procedural self government, and a non-charter municipality may enact an ordinance governing the salary paid to its employees. Thus, although R.C. Section 731.13 prohibits in-term increases in compensation for village officers, an ordinance authorizing such increases prevails over the statute. See, OAG Op. 83-036. However, in Advisory Opinion 93-066, the Ohio Ethics Commission considered whether certain municipal officers may receive an in-term increase in compensation under R.C. Section 102.03(D)-(E) and determined that for certain municipal officials (such as a mayor, village council member and solicitor), an in-term increase would violate ethics law R.C. Section 102.03.

On February 4, 2003, Village Council passed Ordinance No. 2003-3 providing dental benefits to all full-time employees and to the Mayor. The Mayor was not provided this benefit prior to the start of her current term of office.

We encourage the Village to seriously discuss this situation with the Village Solicitor for a remedy.

FINDING NUMBER 2003 – 009

Remittance of State Fines

According to Ohio Revised Code Section 9.39, public officials are generally liable for monies received or collected by them or their subordinates. 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) and 2949.091(A) require the collection of additional court costs 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 that said fees be transmitted on the first business day of each month by the Clerk of Court to the Treasurer of State. O.R.C. Sections 2743.70(A)(2) and 2949.091(A) require that said fees 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 years 2002 and 2003 we noted in 18 of the 24 months the Clerk of Courts did not remit payments to the State on or before the twentieth of the subsequent month.

We recommend the Village remit all required collected monies to the Treasurer of State on or before the twentieth day of the month following the month the state funds were collected.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
(CONTINUED)

FINDING NUMBER 2003 – 010

Daily Deposits

Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority, only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period.

During our testing of Mayor's Court collections, we noted that in 2003, 42% of the cases tested (25 of 60) and in 2002, 40% of the case tested (24 of 60), the cash collection was deposited anywhere from 4 days to a week after receipt.

We recommend the Clerk of Courts deposit all collections in the Mayor's Court bank account within three business days of receipt. Additionally, we recommend that Village Council develop and adopt a policy safeguarding collections received by various Village officials.

FINDING NUMBER 2003 – 011

Expenditures plus Encumbrances Exceeding Appropriations

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, 2002, the following fund had final expenditures plus encumbrances exceeding authorized appropriations, at the fund level:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Tow Fund	\$26,000	\$37,909	(\$11,909)

On December 31, 2003, the following fund had final expenditures plus encumbrances exceeding authorized appropriations, at the fund level:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Jail Fund	\$26,738	\$45,908	(\$19,170)

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.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-001	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeding appropriations	No	Finding not corrected – reissued as 2003-011



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**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
SEPTEMBER 20, 2005**