



Mary Taylor, CPA
Auditor of State

VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Glenwillow
Cuyahoga County
29555 Pettibone Road
Glenwillow, Ohio 44139

To the Village Council:

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

Mary Taylor

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Auditor of State

August 29, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Glenwillow
Cuyahoga County
29555 Pettibone Road
Glenwillow, Ohio 44139

To the Village Council:

We have audited the accompanying financial statements of the Village of Glenwillow, Cuyahoga County, Ohio (the Village) as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. 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 more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006, or its changes in financial position for the year then ended.

Also, 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 Glenwillow, Cuyahoga County, Ohio, as of December 31, 2006, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

August 29, 2007

**VILLAGE OF GLENWILLOW
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, 2006**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$127,039	\$5,848	\$0	\$0	\$132,887
Municipal Income Tax	1,024,653	93,725	160,672	66,947	1,345,997
Special Assessments	0	0	33,883	59,832	93,715
Intergovernmental Receipts	88,713	71,897	0	238,655	399,265
Charges for Services	8,825	0	0	61,751	70,576
Fines, Licenses, and Permits	211,356	19,490	0	0	230,846
Earnings on Investments	109,110	13	0	0	109,123
Miscellaneous	10,761	9,770	0	0	20,531
	<u>1,580,457</u>	<u>200,743</u>	<u>194,555</u>	<u>427,185</u>	<u>2,402,940</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	739,849	150	0	0	739,999
Public Health Services	9,504	0	0	0	9,504
Community Environment	160,564	0	0	0	160,564
Transportation	0	188,002	0	47,132	235,134
General Government	904,481	52,472	333	0	957,286
Capital Outlay	0	77,349	0	418,308	495,657
Debt Service:					
Principal Payments	0	0	65,000	875,000	940,000
Interest Payments	0	0	94,950	29,250	124,200
	<u>1,814,398</u>	<u>317,973</u>	<u>160,283</u>	<u>1,369,690</u>	<u>3,662,344</u>
Total Receipts Over/(Under) Disbursements	<u>(233,941)</u>	<u>(117,230)</u>	<u>34,272</u>	<u>(942,505)</u>	<u>(1,259,404)</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds	0	0	0	770,246	770,246
Sale of Notes	0	0	0	75,000	75,000
Transfers-In	0	75,000	0	110,000	185,000
Transfers-Out	(185,000)	0	0	0	(185,000)
Advances-In	65,991	0	0	400,000	465,991
Advances-Out	(150,000)	0	0	(315,991)	(465,991)
Other Financing Uses	(37)	0	0	0	(37)
	<u>(269,046)</u>	<u>75,000</u>	<u>0</u>	<u>1,039,255</u>	<u>845,209</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(502,987)	(42,230)	34,272	96,750	(414,195)
Fund Cash Balances, January 1, 2006	<u>1,722,144</u>	<u>210,297</u>	<u>149,562</u>	<u>515,075</u>	<u>2,597,078</u>
Fund Cash Balances, December 31, 2006	<u>\$1,219,157</u>	<u>\$168,067</u>	<u>\$183,834</u>	<u>\$611,825</u>	<u>\$2,182,883</u>
Reserves for Encumbrances, December 31, 2006	<u>\$22,914</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$22,914</u>

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

VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - THE FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipts:	
Charges for Services	\$31,819
Fines, Licenses, and Permits	<u>64,035</u>
Total Operating Cash Receipts	<u>95,854</u>
Operating Cash Disbursements:	
Contractual Services	16,305
Other	<u>103,624</u>
Total Operating Cash Disbursements	<u>119,929</u>
Operating Income/(Loss)	(24,075)
Fund Cash Balances, January 1, 2006	<u>173,684</u>
Fund Cash Balances, December 31, 2006	<u><u>\$149,609</u></u>

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

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Glenwillow, Cuyahoga County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental and police services. The Village contracts with the City of Solon and the Village of Oakwood to receive fire protection and ambulance 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund - This fund receives income tax, gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Town Center Operating Fund – This fund is used to account for operations relating to the town center and receives revenue from income taxes and transfers from the general fund.

Recreation Fund – This fund receives a portion of municipal income tax which is used for recreational capital improvements, maintenance, and recreation programs.

3. Debt Service Funds

These funds are used for resources the Village accumulate to pay bond and note debt. The Village had the following significant Debt Service Funds:

Bond Street Water Line Special Assessment Fund – This fund receives proceeds from real estate tax special assessments for bond payments.

Bond Street Sewer Line Special Assessment Fund – This fund receives proceeds from real estate tax special assessments for bond payments.

Land Debt Service Fund – This fund receives income tax monies which are used to retire the bonds issued to acquire land.

4. Capital Project Funds

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

Bond Street Storm Fund – This fund receives special assessments. This fund is used to account for the reconstruction of Bond Street.

Streetscape Fund – This fund receives Community Development funds which are used for the Pettibone Road South Side Streetscape project.

Sanitary Sewer Improvement Fund – This fund receives a portion of municipal income tax, tap in fees and local sewer user charges from commercial and residential property owners for sewer improvement capital projects.

Richmond Road Sanitary Phase II Fund – This fund receives state Issue II and village funds for sanitary sewer improvements on Richmond Road.

5. Agency Funds

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

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Agency Funds (Continued)

Mayor's Court Fund – This fund is used to account for the collection of fines, fees, and costs from the Village's Mayor's Court.

Restricted Fund – This fund is used to account for construction deposits and the engineer's review and inspection fees.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually. The Village budgets all agency funds except those funds related to the Mayor's Court.

1. Appropriations

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

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.

3. Encumbrances

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

A summary of 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006
Demand deposits	\$673,292
Investment - STAR Ohio	1,659,200
Total deposits and investments	\$2,332,492

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

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

3. BUDGETARY ACTIVITY

Budgetary activity (excluding activity related to the Mayor's Court) for the year ending December 31, 2006 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,059,691	\$1,580,457	(\$479,234)
Special Revenue	317,615	275,743	(41,872)
Debt Service	220,000	194,555	(25,445)
Capital Projects	2,444,547	1,382,431	(1,062,116)
Agency	59,100	32,431	(26,669)
Total	\$5,100,953	\$3,465,617	(\$1,635,336)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,502,520	\$2,022,349	\$480,171
Special Revenue	443,846	317,973	125,873
Debt Service	160,868	160,283	585
Capital Projects	1,924,832	1,369,690	555,142
Agency	174,970	59,643	115,327
Total	\$5,207,036	\$3,929,938	\$1,277,098

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

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

4. LOCAL INCOME TAX

The Village levies a municipal income tax of two 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.

5. PROPERTY TAX

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

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

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

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

6. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water Line Special Assessment Bond	\$65,000	6.90 - 7.00%
Sanitary Sewer Special Assessment Bond	200,000	5.25 - 6.00%
Land Acquisition Bond	1,415,000	4.375 - 5.875%
Capital Improvement Note	75,000	4.25%
Street Improvement Special Assessment Bond	770,000	4.00 - 5.00%
Total	<u>\$2,525,000</u>	

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

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

6. DEBT (Continued)

The Waterline Special Assessment Bonds issued in 1996 relate to the installation of water lines for the Bond Street improvements. The bond principal will be repaid in annual installments, ranging from \$5,000 to \$15,000, over 15 years, with corresponding interest payments being paid semi-annually.

The Sanitary Sewer Assessment Bonds issued in 2000 relate to the installation of sanitary sewer lines on Bond Street. The bond principal will be repaid in annual installments, ranging from \$10,000 to \$20,000, over 20 years with corresponding interest payments being paid semi-annually.

The Land Acquisition Bond was issued in 2004 for the acquisition of land. The bond principal will be repaid in annual installments, ranging from \$40,000 to \$115,000, over 20 years with corresponding interest payments being paid semi-annually.

The Capital Improvement Note was issued in 2006 and relates to the Tinkers Creek Stream Restoration project and matures in one year.

The Street Improvement Special Assessment Bond issued in 2006 to relate to improving Bond Street and Pettibone Road. The bond principal will be repaid in annual installments, ranging from \$15,000 to \$60,000, over 20 years with corresponding interest payments being paid semi-annually.

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

Year	Assessment Bond	Assessment Bond	Acquisition Bond	Assessment Bond	Total
2007	\$10,000	\$10,000	\$50,000	\$15,000	\$85,000
2008	10,000	10,000	50,000	25,000	95,000
2009	10,000	10,000	55,000	25,000	100,000
2010	10,000	10,000	55,000	30,000	105,000
2011	10,000	10,000	60,000	30,000	110,000
2012-2016	15,000	75,000	370,000	165,000	625,000
2017-2021		75,000	445,000	210,000	730,000
2022-2026			330,000	270,000	600,000
Total	<u>\$65,000</u>	<u>\$200,000</u>	<u>\$1,415,000</u>	<u>\$770,000</u>	<u>\$2,450,000</u>

7. RETIREMENT SYSTEMS

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006, OP&F participants contributed 10% of their wages. For 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages. For 2006, OPERS members contributed 9%, of their gross salaries and the Village contributed an amount equaling 13.7%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

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

8. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

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

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

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2005 and 2004 (the latest information available):

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

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

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

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

9. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC. Financial information can be obtained by contacting the Board Chairman at 1615 Clark Avenue, Cleveland, Ohio 44109.

10. RESTATEMENT OF CASH FUND BALANCE

The Village restated the June 30, 2005 cash fund balance for the Agency Fund Type due to an understatement of cash. The restatement is as follows:

	<u>Amount</u>
Fund cash balance at June 30, 2005	\$172,092
Adjustment	1,592
Fund cash balance at June 30, 2005	<u>\$173,684</u>



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 Glenwillow
Cuyahoga County
29555 Pettibone Rd.
Glenwillow, Ohio 44139

To the Village Council

We have audited the financial statements of the Village of Glenwillow, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2006, and have issued our report thereon dated August 29, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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*.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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

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Internal Control Over Financial Reporting (Continued)

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 29, 2007.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated August 29, 2007.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

August 29, 2007

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

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**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001 (Continued)

Noncompliance Citation and Significant Deficiency (Continued)

During a test of 90 expenditures we noted 22 expenditures (24%) were not certified by the fiscal officer at the time the commitment was incurred and none of the exceptions discussed above were used. Failure to properly certify the availability of funds can result in overspending fund and negative cash fund balances

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer utilize the encumbrance method of accounting and certify that the 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 encumber and certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response

We will comply with this requirement in the future.

VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-001	Four funds had total appropriations in excess of total estimated revenues contrary to Ohio Revised Code § 5705.39.	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF GLENWILLOW

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
OCTOBER 9, 2007**