



**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 - 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

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CUYAHOGA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Linndale
Cuyahoga County
4016 West 119th 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, 2007 and December 31, 2006, 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 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 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, 2007 and December 31, 2006 and the respective changes in cash financial position and the respective budgetary comparison for the General Fund and Death Benefits Fund (2007) thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 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

November 4, 2008

Village of Linndale Cuyahoga County

Management's Discussion & Analysis (Unaudited)

For the Years Ended December 31, 2007 and 2006

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, 2006 and 2007, within the limitations of the Village's 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 2006 and 2007 are as follows:

- Net assets of governmental activities decreased \$151,830 or 43.3 percent for 2006 and decreased \$76,926, or 38.7 percent for 2007. In 2006, 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 2006; however, cost increases affected most funds. In 2007, the fund most affected by the increase in cash and cash equivalents was the General Fund, which again recognized the greatest burden of increased costs in 2007; however, cost increases affected most funds.
- The Village's program receipts are primarily charges for services. These receipts represent 83.8 and 87.2 percent of the total cash received for governmental activities during 2006 and 2007, respectively. Property and income tax receipts for 2006 and 2007 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 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, 2007 and 2006

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 cash basis of accounting. This is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 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 2006 and 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances 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. 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 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. Net proceeds from Mayor's Court Activity 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, 2007 and 2006

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, Death Benefits and Other Capital Improvements Funds.

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 2007 on a cash basis compared to 2006 and 2005.

	(Table 1)		
	Net Assets		
	Governmental Activities	Governmental Activities	Governmental Activities
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets:			
Cash and cash equivalents	\$ 122,040	\$ 198,966	\$ 350,796
Total assets	<u>122,040</u>	<u>198,966</u>	<u>350,796</u>
Net assets:			
Restricted for:			
Capital Projects	29,098	13,015	37,076
Unrestricted	<u>92,942</u>	<u>185,951</u>	<u>313,720</u>
Total net assets	<u>\$ 122,040</u>	<u>\$ 198,966</u>	<u>\$ 350,796</u>

As mentioned previously, net assets of governmental activities decreased \$151,830 or 43.3 percent for 2006 and decreased \$76,926 or 38.7 percent during 2007. The primary reason contributing to the decrease in cash was the increase in costs incurred during 2006 and 2007.

**Village of Linndale
Cuyahoga County**

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

For the Years Ended December 31, 2007 and 2006

Table 2 reflects the changes in net assets in 2007, 2006, and 2005.

	(Table 2)		
	Changes in Net Assets		
	Governmental Activities	Governmental Activities	Governmental Activities
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts:			
Program receipts:			
Charges for services	\$ 859,602	\$ 860,471	\$ 894,209
Total program receipts	<u>859,602</u>	<u>860,471</u>	<u>894,209</u>
General receipts:			
Property and other local taxes	7,409	8,938	7,153
Income taxes	98,467	92,565	90,253
Grants and entitlements not restricted to specific programs	14,415	13,891	13,758
Interest	34	34	40
Miscellaneous	5,791	32,619	30,565
Proceeds from sale of fixed assets	<u>-</u>	<u>18,635</u>	<u>-</u>
Total general receipts	<u>126,116</u>	<u>166,682</u>	<u>141,769</u>
Total receipts	<u>985,718</u>	<u>1,027,153</u>	<u>1,035,978</u>
Disbursements:			
General government	404,029	473,011	365,945
Security of persons and property	630,074	668,370	541,238
Leisure time activities	1,263	4,883	3,505
Community environment	-	735	927
Basic utilities	15,497	14,955	15,399
Transportation	11,781	17,029	10,697
Total disbursements	<u>1,062,644</u>	<u>1,178,983</u>	<u>937,711</u>
Change in net assets	(76,926)	(151,830)	98,267
Net assets at beginning of year	<u>198,966</u>	<u>350,796</u>	<u>252,529</u>
Net assets at end of year	<u>\$ 122,040</u>	<u>\$ 198,966</u>	<u>\$ 350,796</u>

Program receipts represent 83.8 and 87.2 percent for 2006 and 2007, respectively, of total receipts and are primarily comprised of charges for services from court activity.

In 2006 and 2007, general receipts represent only 16.2 and 12.8 percent, respectively, of the Village's total receipts. Of the general receipts, 60.9 percent in 2006 and 84.0 percent in 2007 are property and other local taxes and income taxes. Grants and entitlements make up 8.3 percent in 2006 and 11.4 percent in 2007 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, 2007 and 2006

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 clerk-treasurer, 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; Basic Utility Services are for trash removal, and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 10 for 2007 and page 17 for 2006, 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 40.1 and 56.7 percent in 2006 and 38.0 and 59.3 percent in 2007 of all governmental disbursements, respectively. The next column of the Statement, titled Program Receipts identifies amounts paid by people who are directly charged for the service 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 2007	Total Cost of Services 2006	Net Cost of Services 2007	Net Cost of Services 2006
General government	\$ 404,029	\$ 473,011	\$ (401,155)	\$ (468,333)
Security of persons and property	630,074	668,370	226,654	187,357
Leisure time activities	1,263	4,883	(1,263)	(4,883)
Community environment	-	735	-	(735)
Basic utilities	15,497	14,955	(15,497)	(14,889)
Transportation	11,781	17,029	(11,781)	(17,029)
Total disbursements	\$ <u>1,062,644</u>	\$ <u>1,178,983</u>	\$ <u>(203,042)</u>	\$ <u>(318,512)</u>

Village of Linndale Cuyahoga County

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

For the Years Ended December 31, 2007 and 2006

The Government's Funds

In 2006, total governmental funds had receipts and other financing sources of \$1,130,439 and disbursements and other financing uses of \$1,282,269, leaving a net change in fund balance of \$151,830. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$78,364 as the result of increasing costs of the Village.

In 2007, total governmental funds had receipts and other financing sources of \$1,024,648 and disbursements and other financing uses of \$1,101,574, leaving a net change in fund balance of \$76,926. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$92,886 as the result of increasing costs of the Village.

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 2006, the Village did not amend its General Fund budget. The Village's final budget for appropriations was greater than actual expenditures by \$26,944.

During 2007, the Village amended its General Fund budgeted appropriations. The Village's final budget for appropriations that was greater than actual expenditures by \$39,480.

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 119th Street, Linndale, Ohio 44135.

**Village of Linndale
Cuyahoga County**

Statement of Net Assets - Cash Basis

December 31, 2007

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>122,040</u>
Total assets	<u>122,040</u>
Net Assets:	
Restricted for:	
Capital projects	29,098
Unrestricted	<u>92,942</u>
Total net assets	\$ <u><u>122,040</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, 2007

	<u>Cash Disbursements</u>	<u>Program Cash Receipts Charges for Services</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities</u>
Governmental Activities:			
General government	\$ 404,029	\$ 2,874	\$ (401,155)
Security of persons and property	630,074	856,728	226,654
Leisure time activities	1,263	-	(1,263)
Basic utility services	15,497	-	(15,497)
Transportation	11,781	-	(11,781)
Total governmental activities	<u>\$ 1,062,644</u>	<u>\$ 859,602</u>	<u>(203,042)</u>
General Receipts:			
Property tax levied for:			
General purpose			7,409
Municipal income taxes			98,467
Grants and entitlements not restricted to specific programs			14,415
Investment earnings			34
Miscellaneous			<u>5,791</u>
Total general receipts			<u>126,116</u>
Change in net assets			(76,926)
Net assets at beginning of year			<u>198,966</u>
Net assets at end of year			<u>\$ 122,040</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, 2007

	<u>General</u>	<u>Death Benefits Fund</u>	<u>Other Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ <u>55,531</u>	\$ <u>16,284</u>	\$ <u>29,098</u>	\$ <u>21,127</u>	\$ <u>122,040</u>
Total assets	\$ <u><u>55,531</u></u>	\$ <u><u>16,284</u></u>	\$ <u><u>29,098</u></u>	\$ <u><u>21,127</u></u>	\$ <u><u>122,040</u></u>
Fund Balance:					
Unreserved; undesignated:					
General fund	55,531	\$ -	\$ -	\$ -	\$ 55,531
Special revenue funds	-	16,284	-	21,127	37,411
Capital projects funds	-	-	29,098	-	29,098
Total fund balance	\$ <u><u>55,531</u></u>	\$ <u><u>16,284</u></u>	\$ <u><u>29,098</u></u>	\$ <u><u>21,127</u></u>	\$ <u><u>122,040</u></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, 2007

	<u>General</u>	<u>Death Benefits Fund</u>	<u>Other Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property taxes and other local taxes	\$ 106,678	\$ -	\$ -	\$ -	\$ 106,678
State and shared taxes and permits	5,828	-	-	-	5,828
Intergovernmental	9,327	-	-	-	9,327
Charges for services	214,537	3,589	-	102,938	321,064
Fines, licenses, and permits	520,663	-	16,083	250	536,996
Earnings on investments	34	-	-	-	34
Miscellaneous	5,537	-	-	254	5,791
Total receipts	<u>862,604</u>	<u>3,589</u>	<u>16,083</u>	<u>103,442</u>	<u>985,718</u>
Disbursements:					
Current:					
General government	369,989	-	-	34,040	404,029
Security of persons and property	556,547	-	-	73,527	630,074
Leisure time activities	206	-	-	1,057	1,263
Basic utility services	15,497	-	-	-	15,497
Transportation	11,781	-	-	-	11,781
Total disbursements	<u>954,020</u>	<u>-</u>	<u>-</u>	<u>108,624</u>	<u>1,062,644</u>
Excess of receipts over (under) disbursements	<u>(91,416)</u>	<u>3,589</u>	<u>16,083</u>	<u>(5,182)</u>	<u>(76,926)</u>
Other financing sources (uses):					
Advances – in	9,200	-	-	9,200	18,400
Transfers – in	9,530	-	-	11,000	20,530
Advances – out	(9,200)	-	-	(9,200)	(18,400)
Transfers – out	(11,000)	-	-	(9,530)	(20,530)
Total other financing sources (uses)	<u>(1,470)</u>	<u>-</u>	<u>-</u>	<u>1,470</u>	<u>-</u>
Net change in fund balance	(92,886)	3,589	16,083	(3,712)	(76,926)
Fund balance at beginning of year	<u>148,417</u>	<u>12,695</u>	<u>13,015</u>	<u>24,839</u>	<u>198,966</u>
Fund balance at end of year	\$ <u>55,531</u>	\$ <u>16,284</u>	\$ <u>29,098</u>	\$ <u>21,127</u>	<u>122,040</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, 2007

	Budgeted Amounts			Variance
	Original	Final	Actual	Final Budget Positive (Negative)
Receipts:				
Property taxes and other local taxes	\$ 99,634	\$ 99,634	\$ 106,678	\$ 7,044
State and shared taxes and permits	5,443	5,443	5,828	385
Intergovernmental	8,711	8,711	9,327	616
Charges for services	194,931	194,931	214,537	19,606
Fines, licenses, and permits	491,726	491,726	520,663	28,937
Earnings on investments	32	32	34	2
Miscellaneous	5,171	5,171	5,537	366
Total receipts	<u>805,648</u>	<u>805,648</u>	<u>862,604</u>	<u>56,956</u>
Disbursements:				
Current:				
General government	416,400	393,560	369,989	23,571
Security of persons and property	513,000	570,705	556,547	14,158
Leisure time activities	-	219	206	13
Community environment	100	-	-	-
Basic utility services	15,000	16,484	15,497	987
Transportation	20,500	12,532	11,781	751
Total disbursements	<u>965,000</u>	<u>993,500</u>	<u>954,020</u>	<u>39,480</u>
Excess of receipts over (under) disbursements	(159,352)	(187,852)	(91,416)	96,436
Other financing sources (uses):				
Advances – in	9,200	9,200	9,200	-
Transfers – in	8,901	8,901	9,530	629
Advances – out	-	(9,200)	(9,200)	-
Transfers – out	-	(11,000)	(11,000)	-
Total other financing sources (uses)	<u>18,101</u>	<u>(2,099)</u>	<u>(1,470)</u>	<u>629</u>
Net change in fund balance	(141,251)	(189,951)	(92,886)	97,065
Fund balance beginning of year	<u>148,417</u>	<u>148,417</u>	<u>148,417</u>	<u>-</u>
Fund balance end of year	\$ <u>7,166</u>	\$ <u>(41,534)</u>	\$ <u>55,531</u>	\$ <u>97,065</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
Death Benefits Fund**

For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts:				
Charges for services	\$ <u>5,000</u>	\$ <u>5,000</u>	\$ <u>3,589</u>	\$ <u>(1,411)</u>
Disbursements:				
Current:				
General government	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Net change in fund balance	-	-	3,589	3,589
Fund balance beginning of year	<u>12,695</u>	<u>12,695</u>	<u>12,695</u>	<u>-</u>
Fund balance end of year	\$ <u><u>12,695</u></u>	\$ <u><u>12,695</u></u>	\$ <u><u>16,284</u></u>	\$ <u><u>3,589</u></u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

Statement of Fiduciary Net Assets in Cash Basis – Fiduciary Funds

December 31, 2007

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>71,314</u>
Total assets	\$ <u><u>71,314</u></u>
Liabilities:	
Deposits held and due to others	\$ <u>71,314</u>
Total liabilities	\$ <u><u>71,314</u></u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

Statement of Net Assets - Cash Basis

December 31, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>198,966</u>
Total assets	<u>198,966</u>
Net Assets:	
Restricted for:	
Capital Projects	13,015
Unrestricted	<u>185,951</u>
Total net assets	\$ <u><u>198,966</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, 2006

	<u>Cash</u> <u>Disbursements</u>	<u>Program</u> <u>Cash Receipts</u> <u>Charges</u> <u>for Services</u>	<u>Net</u> <u>(Disbursements)</u> <u>Receipts and</u> <u>Changes</u> <u>in Net Assets</u> <u>Governmental</u> <u>Activities</u>
Governmental Activities:			
General government	\$ 473,011	\$ 4,678	\$ (468,333)
Security of persons and property	668,370	855,727	187,357
Leisure time activities	4,883	-	(4,883)
Community environment	735	-	(735)
Basic utility services	14,955	66	(14,889)
Transportation	17,029	-	(17,029)
Total governmental activities	\$ <u>1,178,983</u>	\$ <u>860,471</u>	\$ <u>(318,512)</u>
General Receipts:			
Property tax levied for:			
General purpose			8,938
Municipal income taxes			92,565
Grants and entitlements not restricted to specific programs			13,891
Investment earnings			34
Miscellaneous			32,619
Proceeds from sale of fixed assets			<u>18,635</u>
Total general receipts			<u>166,682</u>
Change in net assets			(151,830)
Net assets at beginning of year			<u>350,796</u>
Net assets at end of year			\$ <u><u>198,966</u></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, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ <u>148,417</u>	\$ <u>50,549</u>	\$ <u>198,966</u>
Total assets	\$ <u><u>148,417</u></u>	\$ <u><u>50,549</u></u>	\$ <u><u>198,966</u></u>
Fund Balance:			
Unreserved; undesignated:			
General fund	\$ 148,417	\$ -	\$ 148,417
Special revenue funds	-	37,534	37,534
Capital projects funds	-	13,015	13,015
Total Fund Balance	\$ <u><u>148,417</u></u>	\$ <u><u>50,549</u></u>	\$ <u><u>198,966</u></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, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:			
Property taxes and other local taxes	\$ 102,217	\$ -	\$ 102,217
State and shared taxes and permits	5,675	-	5,675
Intergovernmental	7,502	-	7,502
Charges for services	205,532	133,860	339,392
Fines, licenses, and permits	489,890	31,189	521,079
Earnings on investments	34	-	34
Miscellaneous	<u>32,619</u>	<u>-</u>	<u>32,619</u>
Total receipts	<u>843,469</u>	<u>165,049</u>	<u>1,008,518</u>
Disbursements:			
Current:			
General government	353,937	119,074	473,011
Security of persons and property	490,294	178,076	668,370
Leisure time activities	4,883	-	4,883
Community environment	735	-	735
Basic utility services	14,955	-	14,955
Transportation	<u>17,029</u>	<u>-</u>	<u>17,029</u>
Total disbursements	<u>881,833</u>	<u>297,150</u>	<u>1,178,983</u>
Excess of receipts over (under) disbursements	<u>(38,364)</u>	<u>(132,101)</u>	<u>(170,465)</u>
Other financing sources (uses):			
Proceeds from sale of fixed assets	-	18,635	18,635
Transfers - in	-	103,286	103,286
Transfers - out	<u>(40,000)</u>	<u>(63,286)</u>	<u>(103,286)</u>
Total other financing sources (uses)	<u>(40,000)</u>	<u>58,635</u>	<u>18,635</u>
Net change in fund balance	(78,364)	(73,466)	(151,830)
Fund balance at beginning of year	<u>226,781</u>	<u>124,015</u>	<u>350,796</u>
Fund balance at end of year	<u>\$ 148,417</u>	<u>\$ 50,549</u>	<u>\$ 198,966</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, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
Receipts:				
Property taxes and other local taxes	\$ 98,591	\$ 98,591	\$ 102,217	\$ 3,626
State and shared taxes and permits	5,474	5,474	5,675	201
Intergovernmental	7,236	7,236	7,502	266
Charges for services	189,286	189,286	196,247	6,961
Fines, licenses, and permits	481,470	481,470	499,175	17,705
Earnings on investments	33	33	34	1
Miscellaneous	17,166	17,166	32,619	15,453
Total receipts	<u>799,256</u>	<u>799,256</u>	<u>843,469</u>	<u>44,213</u>
Disbursements:				
Current:				
General government	364,752	364,752	353,937	10,815
Security of persons and property	505,275	505,275	490,294	14,981
Leisure time activities	5,032	5,032	4,883	149
Community environment	757	757	735	22
Basic utility services	15,412	15,412	14,955	457
Transportation	17,549	17,549	17,029	520
Total disbursements	<u>908,777</u>	<u>908,777</u>	<u>881,833</u>	<u>26,944</u>
Excess of receipts over (under) disbursements	<u>(109,521)</u>	<u>(109,521)</u>	<u>(38,364)</u>	<u>71,157</u>
Other financing sources (uses):				
Transfers – out	<u>(41,222)</u>	<u>(41,222)</u>	<u>(40,000)</u>	<u>1,222</u>
Net change in fund balance	(150,743)	(150,743)	(78,364)	72,379
Fund balance beginning of year	<u>226,781</u>	<u>226,781</u>	<u>226,781</u>	<u>-</u>
Fund balance end of year	\$ <u>76,038</u>	\$ <u>76,038</u>	\$ <u>148,417</u>	\$ <u>72,379</u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

Statement of Fiduciary Net Assets in Cash Basis – Fiduciary Funds

December 31, 2006

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>61,090</u>
Total assets	\$ <u><u>61,090</u></u>
Liabilities:	
Money held and due to others	\$ <u>61,090</u>
Total liabilities	\$ <u><u>61,090</u></u>

See accompanying notes to the basic financial statements.

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Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements

For the Years Ended December 31, 2007 and 2006

Note 1: Reporting 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.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Village are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village.

The Village provides general governmental services including police, road maintenance, Mayor's Court, and recreation. The operation of these activities is directly controlled by Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government. The Village contracts with the City of Cleveland for fire protection services.

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 deficits of or provide financial support to the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt, or the levying of taxes. 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

A. Basis of Accounting

These financial statements follow a cash basis of accounting. This is a basis of accounting other than generally accepted accounting principles. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2007 and 2006

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Village's funds are classified as either governmental or fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Village's major governmental funds:

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.

Death Benefits Fund – This fund was created to ease the burden of funeral expenses to families of police officers whose lives are taken in the line of duty.

Other Capital Improvements Fund – The Other Capital Improvements Fund accounts for money collected, \$1 per ticket, for improvements to the court house.

Other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations or other governmental entities and are therefore not available to support the Village's own programs. The Village has no trust funds. Agency funds are custodial in nature, where the Village deposits and pays cash as directed by another entity or individual. The Village maintains agency funds for the Mayor's Court, unclaimed monies, and the Village's towing contract.

C. Basis of Presentation

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

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2007 and 2006

Note 2: Summary of Significant Accounting Policies (continued)

C. Basis of Presentation (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 Village, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Village at December 31, 2006 and 2007. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Village's governmental activities. Program Cash Receipts include monies provided by the recipient of the services offered by the program, grants and contributions that are restricted to meeting the operations or capital requirements of particular program. Revenues which are not classified as program revenues are presented as general revenues of the Village, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental programs are self-financing or draw from the general revenues of the Village.

Fund Financial Statements The Village segregates transactions related to certain Village functions or activities in separate funds in order 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 funds 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.

D. Cash and Investments

Investments are reported in fund balances. 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.

E. Inventory

On the cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

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.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2007 and 2006

Note 2: Summary of Significant Accounting Policies (continued)

H. Net Assets

The financial statements report restricted net assets when contributors, grantors, or other external factors impose limitations in their use.

I. Budgetary Process

The Ohio Revised Code requires that each fund, except agency funds, be budgeted annually.

1. Appropriations

For 2006 and 2007, budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object 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.

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.

Note 3: Deposits and Investments

Ohio law classifies monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 monies 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.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2007 and 2006

Note 3: Deposits and Investments (continued)

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 monies may be deposited or invested in the following securities:

1. United States Treasury notes, Bills, Bonds, 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. 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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2007 and 2006

Note 3: Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village's deposits may not be returned. Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of Village funds shall be required to pledge as security for repayment of all public moneys.

At December 31, 2006 and 2007, the carrying amounts of the Village's deposits were \$260,056 and \$193,354, respectively, and the bank balances were \$225,173 and \$211,616, respectively. Of the bank balances \$105,654 and \$105,689 was covered by Federal depository insurance and \$119,519 and \$105,927 was uninsured for 2006 and 2007 respectively. Of the uninsured bank balance, the entire amount was collateralized with securities held by the pledging institution's trust department, not in the Village's name for both 2006 and 2007.

Investments

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment guidelines address interest rate risk requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The Village investment guidelines also limits security purchases to those that mature in five years unless specifically matched to a specific cash flow.

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Village will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the Village must meet a set of standards prescribed by the Ohio Revised Code and be periodically reviewed.

Credit Risk is addressed by the Village's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The Village's investment guidelines provide for diversification of the portfolio but do not indicate specific percentage allocations.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2007 and 2006

Note 4: Compliance

Contrary to the Ohio Revised Code Section 5705.39, the General Fund had 2007 final appropriations in excess of estimated resources plus beginning balance in the amount of \$41,534. The Parks and Recreation Fund, Flowers Fund, Tow Fund, and Law Enforcement Trust Fund had 2007 original appropriations and final appropriations in excess of estimated resources plus beginning balances in the amounts of \$10,000, \$1,000, \$20,000, and \$10,000, respectively.

Contrary to the Ohio Revised Code Section 5705.41(B), the Tow Fund, Capital Improvement Fund, Law Enforcement Trust Fund, and Other Capital Projects Fund had expenditures plus encumbrances in excess of final appropriations in the amounts of \$1,561, \$5,583, \$7,153, and \$82,568, respectively at December 31, 2006.

The Village was also in violation of the Ohio Revised Code Sections 5705.41(D), 5705.14 through 5705.16, and 5705.09.

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

Note 5: 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. Public utility tangible personal property is currently assessed at varying percentages of true value; public utility real property is assessed at 34 percent of true value. 2007 public utility property taxes which became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

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. 2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased-out. The assessment percent for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single-county tax payers may pay annually or semi-annually. If paid annually, payment is due April 30, if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2007 and 2006

Note 5: Property Tax (continued)

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2007 property tax receipts were based are as follows:

	<u>2007</u>	<u>2006</u>
Real Property		
Residential/Agriculture	\$ 732,530	\$ 732,530
Commercial/Industrial/Other	2,018,590	2,058,640
Public Utility Property		
Person	136,810	199,790
Tangible Personal Property	<u>96,845</u>	<u>297,080</u>
Total	<u>\$ 2,984,775</u>	<u>\$ 3,288,040</u>

Note 6: 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.

Note 7: 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% 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.

**Village of Linndale
Cuyahoga County**

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2007 and 2006

Note 7: 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 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the years ended December 31, 2007 and 2006, the members of all three plans were required to contribute 9.5 and 9.0 percent of their annual covered salary to fund pension obligations, respectively. The Village contributed 13.85 percent for 2007 and 13.70 percent for 2006 of covered payroll, of which 5 to 6 percent in 2007 and 4.50 percent in 2006 was used to fund health care coverage for retirees. The contribution rate is determined actuarially. 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, 2007, 2006, and 2005 were \$27,757, \$28,857, and \$28,771 respectively, equal to the required contributions for each year. The full amount has been contributed for all three years.

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 administered by the OP&F's Board of Trustees. 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers. Contributions are authorized by state statute. The Village's contributions to OP&F for the years ending December 31, 2007, 2006 and 2005 were \$19,847, \$14,837, and \$14,118. The full amount has been contributed for all three years.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2007 and 2006

Note 8: Postemployment Benefits

A. *Ohio Public Employees Retirement System*

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. The 2007 employer contribution rate was 13.85 percent of covered payroll; 5.00 percent from January 1 through June 30, 2007 and 6.00 percent from July 1 through December 31, 2007 were the portions that were used to fund health care. The 2006 employer contribution rate was 13.70 percent of covered payroll; 4.5 percent was the portion that was used to fund health care.

Benefits are advance-funded on an actuarially determined basis. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent. An annual increase of 4.0 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increase, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.30 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50 percent to 5.00 percent for the next eight years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market value. 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, not to exceed a 12 percent corridor.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2007 and 2006

Note 8: Postemployment Benefits (continued)

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

At December 31, 2007, the number of active contributing participants in the Traditional and Combined Plans totaled 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. The Village's actual contributions for 2007, 2006, and 2005, which were used to fund postemployment benefits, were \$18,270, \$14,115, and \$12,051, respectively. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfounded actuarially accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. *Ohio Police and Fire Pension Fund*

The Ohio Police and Fire Pension Fund ("OP&F") provides post-retirement health care coverage to any person who received or is eligible to receive a monthly 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 Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The Ohio Revised Code provides the statutory authority allowing the OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The total police employer contribution rate is 19.5 percent of covered payroll of which 7.75 percent and 6.75 percent of covered payroll was applied to the Postemployment health care program during 2006 and 2007, respectively. In addition, since July 1, 1992, most retirees and survivors were 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 number of participants eligible to receive health care benefits as of December 31, 2006, the date of the last actuarial valuation available, was 14,120 for police. The Village's actual contributions for 2007, 2006, and 2005 that were used to fund post-employment benefits were \$10,500, \$9,768, and \$9,312, respectively for police. OP&F's total health care expenses for the year ending December 31, 2006, the date of the last actuarial valuation available, was \$120,373,722, which was net of member contributions of \$58,532,848.

**Village of Linndale
Cuyahoga County**

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2007 and 2006

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.

Note 10: Interfund Activity

The transfers among Village funds were made to provide additional resources for current operations. Transfers made during the year ended December 31, 2006 were as follows:

	<u>Transfer from</u>		<u>Total</u>
	<u>General</u>	<u>Other Governmental Funds</u>	
<u>Transfer to</u>			
Other Governmental Funds	\$ 40,000	\$ 63,286	103,286

The transfers among Village funds were made to provide additional resources for current operations. Transfers made during the year ended December 31, 2007 were as follows:

	<u>Transfer from</u>		<u>Total</u>
	<u>General</u>	<u>Other Governmental Funds</u>	
<u>Transfer to</u>			
General	\$ -	\$ 9,530	\$ 9,530
Other Governmental Funds	<u>11,000</u>	<u>-</u>	<u>11,000</u>
Total	<u>\$ 11,000</u>	<u>\$ 9,530</u>	<u>\$ 20,530</u>

**Village of Linndale
Cuyahoga County**

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2007 and 2006

Note 10: Interfund Activity (continued)

The advances among Village funds were made to provide additional resources for current operations. Advances made during the year ended December 31, 2007 were as follows:

	<u>Advance from</u>		<u>Total</u>
	<u>General</u>	<u>Other Governmental Funds</u>	
<u>Advance to</u>			
General	\$ -	\$ 9,200	\$ 9,200
Other Governmental Funds	<u>9,200</u>	<u>-</u>	<u>9,200</u>
Total	<u>\$ 9,200</u>	<u>\$ 9,200</u>	<u>\$ 18,400</u>

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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 119th 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, (the Village) as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 4, 2008, wherein we noted the Village uses a comprehensive accounting basis other than principles generally accepted in the United States. 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 as a basis for designing our audit procedures for expressing our opinions 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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We noted certain matters that we reported to the Village's management in a separate letter dated November 4, 2008.

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 2007-001 through 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 4, 2008.

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

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



Mary Taylor, CPA
Auditor of State

November 4, 2008

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Material Noncompliance

Expenditures plus Encumbrances in Excess of Appropriation Authority

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making expenditures unless they have been properly appropriated. On December 31, 2006, the following funds had final expenditures plus encumbrances exceeding authorized appropriations, at the fund level:

Fund/Fund Number	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Variance
Law Enforcement Trust/2405	\$60,000	\$67,153	(\$7,153)
Capital Improvement/2408	\$50,000	\$55,583	(\$5,583)
Other Capital Projects/4901	\$0	\$82,568	(\$82,568)

The Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk-Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Official's Response

Two of the funds indicated in this finding; Capital Improvement and Other Capital Projects, are actually the same fund. During the previous audit, it was pointed out that we had mistakenly numbered the Capital Improvement fund with the number 2408, the next available special assessment fund number. The proper number sequence for Capital Improvements (4901) was put in place and the improper account number was closed after transferring the balances to the correct fund code. The original appropriation was set at \$50,000 and additional appropriations were made by Ordinance 2006-23. No expenditures were made out of 2408, the Capital Improvement fund, therefore, no variance exists and expenditures out of 4901, the Other Capital Projects fund were within the appropriated amount of \$85,713.00. The different names of the accounts may have caused some confusion in determining this finding.

The variance in the Law Enforcement Trust Fund was the result of payments to the Cuyahoga County Prosecutor's Trust Fund for their share of confiscated and forfeited funds and equipment. These payments amounted to \$10,676.16. The amount and timing of payments to the County Prosecutor is wholly dependent on the court system hearing the various cases and adjudication may take years.

Auditor of State Conclusion

The Village claims the Capital Improvement (fund 2408) and Other Capital Projects (fund 4901) funds are the same fund. However, both funds appear in the Village's accounting system. A fund number in the 2XXX series is a special revenue fund whereas a fund number in the 4XXX series is a capital project fund. Consequently, the 2 funds are separate funds. Although the Village claims no expenditures were made from the capital improvement fund (fund 2408), an interfund transfer of \$55,583, which is an expenditure, was made from the capital improvement fund to the other capital projects fund (fund 4901). We agree original appropriations for \$50,000 were established by Ordinance 2006-04 for the capital improvement fund. However, Ordinance 2006-23 only authorizes funds to be transferred to the capital projects fund. The Ordinance does not authorize additional appropriations. Although we noted entries for appropriation adjustments posted to fund 4901, legislation authorizing the appropriation adjustments was not noted in the minutes of Council.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)**

FINDING NUMBER 2007-002

Material Noncompliance

Appropriations Exceeding Estimated Resources

Ohio Rev. Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditure from the fund. In addition, Ohio Rev. Code Section 5705.40 requires that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

The following funds had original and year-end appropriations exceeding estimated resources plus the unencumbered balance at the fund level for 2007:

Fund	Appropriations	Estimated Resources Plus Unencumbered Fund Balance	Variance
Parks and Recreation	\$10,000	\$0	(\$10,000)
Flowers	\$1,000	\$0	(\$1,000)
Tow	\$60,000	\$40,000	(\$20,000)
Law Enforcement Trust	\$70,000	\$60,000	(\$10,000)

The following fund had appropriations in excess of estimated resources plus the unencumbered balance at December 31, 2006:

Fund	Appropriations	Estimated Resources Plus Unencumbered Fund Balance	Variance
Tow	\$90,000	\$50,025	(\$39,975)

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

Two funds listed in this finding, the Parks and Recreation and Flowers funds were set up at the express recommendation of the previous audit staff. Additionally, the total estimated resources for the general fund at the end of 2006 was \$999,460.10 and the appropriations for the general fund in 2007 were \$965,000.00. More than enough estimated resources were available had the Village appropriated the funds as they had in the past. The alteration in appropriations was done as a result of finding 2003-005. We humbly submit that our previous accounting for these dollars, including them in the general fund appropriations, would not have resulted in a finding of this nature; and that by trying to comply with the best advice given by the previous audit staff and then having a finding reported is unfair.

The Tow Fund and Law Enforcement Trust Fund appropriations were based on the Certificate of Estimated Resources dated December 15th, 2006.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-002 (Continued)

Official's Response (Continued)

The Village of Linndale received extra monies associated with the Tow Fund and inadvertently failed to request an amended Certificate of Estimated Resources from the County Budget Commission. It should be noted that the Village of Linndale operates basically on a cash basis. The Village does not have a line of credit nor does it have any outstanding debt. The Village cannot spend monies that are not already received. The accounting system provided by the State of Ohio Uniform Accounting System will not authorize checks in excess of available funds.

Auditor of State Conclusion

In our prior audit, Finding 2005-004 stated the Village purchased items that were not clearly for a public purpose, such as flowers, and recommended Council pre-approve these purchases. We did not recommend the Village establish a flower fund. Governments should establish the minimum number of funds required to comply with legal and contractual restrictions and have those funds approved by the Auditor of State. Using only the required funds would help avoid findings such as this.

FINDING NUMBER 2007-003

Material Noncompliance

Certification of the Fiscal Officer

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, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of "then and now" certificate to approve payment by ordinance or resolution. 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 Council.

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.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-003 (Continued)

Material Noncompliance (Continued)

Certification of the Fiscal Officer (Continued)

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.

Thirty-two out of 41 (78%) for 2007 and 37 out of 43 (86%) for 2006 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, the fiscal officer (Clerk-Treasurer) should certify 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.

The Village should 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

The Village of Linndale has a newly appointed Clerk/Treasurer (beginning of 2007) and is in the process of training this person. We expect marked improvement in the certification process as the continuing education proceeds.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-001	Timely Posting and Classifying Receipts	Yes	
2005-002	Proper Posting to Account Ledgers	Yes	
2005-003	Council Notification of Part Time Raises	No	Finding not corrected; repeated in Management Letter.
2005-004	Expenditure of Public Funds/Proper "Public Purpose"	Yes	
2005-005	Expenditures Plus Encumbrances Exceeding Appropriations – ORC Section 5705.41(B)	No	Finding not corrected; repeated as 2007-001
2005-006	Appropriations Exceeding Estimated Resources – ORC Section 5705.39	No	Finding not corrected; repeated as 2007-002
2005-007	Additional Court Cost for State General Revenue Fund – ORC Section 2743.70	Yes	
2005-008	Remittance of State Fines – ORC Section 9.39	Yes	
2005-009	Certification of Monies	No	Finding not corrected; repeated as 2007-003



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
DECEMBER 31, 2008**