



Dave Yost • Auditor of State



VILLAGE OF LINNDALE  
CUYAHOGA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Linndale, Cuyahoga County, (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Linndale, Cuyahoga County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2012, the Village changed their method of financial statement presentation. We did not modify our opinion regarding this matter.

Additionally, as discussed in Note 8 to the financial statements, the Village's Mayor's Court ceased operations on March 22, 2013 when Ohio House Bill 606 took effect. The law eliminated revenues from Mayor's Court operations which were a significant source of Village resources. As of December 31, 2013 the Village's General fund deficit was \$37,138. Note 8 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 12, 2014

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**VILLAGE OF LINNDALE  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$6,105	\$0	\$0	\$6,105
Municipal Income Tax	66,802	0	0	66,802
Intergovernmental	1,108	18,536	0	19,644
Charges for Services	3,440	7,336	0	10,776
Fines, Licenses and Permits	447,732	21,889	6,530	476,151
Earnings on Investments	1	0	0	1
Miscellaneous	40,672	0	0	40,672
<i>Total Cash Receipts</i>	<u>565,860</u>	<u>47,761</u>	<u>6,530</u>	<u>620,151</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	418,579	28,496	0	447,075
Leisure Time Activities	145	0	0	145
Basic Utility Services	6,854	0	0	6,854
Transportation	1,561	2,953	0	4,514
General Government	321,194	12,309	0	333,503
Capital Outlay	75	3,203	0	3,278
<i>Total Cash Disbursements</i>	<u>748,408</u>	<u>46,961</u>	<u>0</u>	<u>795,369</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(182,548)</u>	<u>800</u>	<u>6,530</u>	<u>(175,218)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Advances In	33,272	0	0	33,272
Advances Out	0	(33,272)	0	(33,272)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>33,272</u>	<u>(33,272)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(149,276)</u>	<u>(32,472)</u>	<u>6,530</u>	<u>(175,218)</u>
<i>Fund Cash Balances, January 1</i>	<u>112,138</u>	<u>152,104</u>	<u>94,500</u>	<u>358,742</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	76,773	101,030	177,803
Committed	0	42,859	0	42,859
Unassigned (Deficit)	(37,138)	0	0	(37,138)
<i>Fund Cash Balances, December 31</i>	<u>(\$37,138)</u>	<u>\$119,632</u>	<u>\$101,030</u>	<u>\$183,524</u>

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

**VILLAGE OF LINNDALE  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Fiduciary Fund Type
	Agency
<b>Operating Cash Receipts</b>	
Mayor's Court Receipts	\$476,151
<i>Total Operating Cash Receipts</i>	476,151
<b>Operating Cash Disbursements</b>	
Mayor's Court Disbursements	513,195
<i>Total Operating Cash Disbursements</i>	513,195
<i>Operating Income (Loss)</i>	(37,044)
<i>Fund Cash Balances, January 1</i>	83,987
<i>Fund Cash Balances, December 31</i>	\$46,943

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

**VILLAGE OF LINNDALE  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$6,591	\$0	\$0	\$6,591
Municipal Income Tax	78,440	0	0	78,440
Intergovernmental	5,110	48,743	0	53,853
Charges for Services	14,265	39,347	0	53,612
Fines, Licenses and Permits	865,674	70,210	19,754	955,638
Earnings on Investments	1	0	0	1
Miscellaneous	7,999	0	0	7,999
<i>Total Cash Receipts</i>	<u>978,080</u>	<u>158,300</u>	<u>19,754</u>	<u>1,156,134</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	602,689	111,261	0	713,950
Leisure Time Activities	208	0	0	208
Community Environment	0	26,787	0	26,787
Basic Utility Services	6,240	0	0	6,240
Transportation	25,418	0	0	25,418
General Government	324,950	35,862	0	360,812
Capital Outlay	6,677	17,278	11,054	35,009
<i>Total Cash Disbursements</i>	<u>966,182</u>	<u>191,188</u>	<u>11,054</u>	<u>1,168,424</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,898</u>	<u>(32,888)</u>	<u>8,700</u>	<u>(12,290)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	3,000	0	0	3,000
Transfers Out	0	(3,000)	0	(3,000)
Advances In	45,488	55,000	0	100,488
Advances Out	(55,000)	(45,488)	0	(100,488)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,512)</u>	<u>6,512</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	5,386	(26,376)	8,700	(12,290)
<i>Fund Cash Balances, January 1</i>	<u>106,752</u>	<u>178,480</u>	<u>85,800</u>	<u>371,032</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	98,878	94,500	193,378
Committed	0	53,226	0	53,226
Unassigned (Deficit)	112,138	0	0	112,138
<i>Fund Cash Balances, December 31</i>	<u>\$112,138</u>	<u>\$152,104</u>	<u>\$94,500</u>	<u>\$358,742</u>

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

VILLAGE OF LINNDALE  
CUYAHOGA COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Mayor's Court Receipts	<u>\$955,639</u>
<i>Total Operating Cash Receipts</i>	<u>955,639</u>
<b>Operating Cash Disbursements</b>	
Mayor's Court Disbursements	<u>947,594</u>
<i>Total Operating Cash Disbursements</i>	<u>947,594</u>
<i>Operating Income (Loss)</i>	<u>8,045</u>
<i>Fund Cash Balances, January 1</i>	<u>75,942</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$83,987</u></u>

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

**VILLAGE OF LINNDALE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 Linndale, Cuyahoga County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services including police, road maintenance, and recreation. The Village had a Mayor's Court through March 2013. House Bill 606 was signed into law in December 2012 and went into effect on March 22, 2013. This law set the minimum population to operate a mayor's court at 201 residents, as of the 2010 census, the Village's population was 179. The Village contracts with the City of Cleveland for fire & ems protection.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. In 2012 the Village changed their method of financial statement presentation. 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. Deposits and Investments**

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

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

VILLAGE OF LINNDALE  
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

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

Tow Fund – This fund received money from individuals who had their vehicles impounded by the Police and from individuals who had their vehicles towed by outside sources and is to be used for Police Department capital expenditures.

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

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

Law Enforcement Trust Fund – This fund receives money from the confiscated drug currency or from auction of stolen merchandise whose ownership could not be identified and is to be used for Police Department expenditures.

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

Memorial Park Fund – This fund receives donations and general fund transfers to fund construction of the park

**4. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds: the Village had none.

**5. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village’s own programs.

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

VILLAGE OF LINNDALE  
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 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.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

VILLAGE OF LINNDALE  
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**2. Equity in Pooled Deposits and Investments**

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

	2013	2012
Demand deposits	<u>\$230,467</u>	<u>\$442,729</u>

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



**VILLAGE OF LINNDALE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and December 31, 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,144,300	\$599,132	(\$545,168)
Special Revenue	237,658	47,761	(189,897)
Capital Projects	20,000	6,530	(13,470)
Total	\$1,401,958	\$653,423	(\$748,535)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,161,774	\$750,944	\$410,830
Special Revenue	264,660	77,684	186,976
Capital Projects	90,000	0	90,000
Total	\$1,516,434	\$828,628	\$687,806

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$950,696	\$981,080	\$30,384
Special Revenue	197,188	158,300	(38,888)
Capital Projects	24,286	19,754	(4,532)
Total	\$1,172,170	\$1,159,134	(\$13,036)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,048,577	\$967,957	\$80,620
Special Revenue	372,412	194,188	178,224
Capital Projects	90,000	11,054	78,947
Total	\$1,510,989	\$1,173,198	\$337,791

**VILLAGE OF LINNDALE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. Property Tax**

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

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

**5. Local Income Tax**

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

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

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10.75% of their wages, effective July 2013 this increased to 10.75%. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages, respectively. For 2013 and 2012, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**7. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

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

**VILLAGE OF LINNDALE  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. Mayor's Court and Fiscal Condition**

Ohio House Bill (HB) 606 was signed into law on December 20, 2012 and went into effect on March 22, 2013. This law sets the minimum population to operate a Mayor's Court at 201 residents. The Village's population from the 2010 census was 179. The Village and other affected communities have filed actions that request an injunction and/or stay of the law as it now stands. The appeals court has denied any injunctions or stays.

In April 2013, Village Council passed Ordinances that cut the Village's budget. These cuts included personnel and benefit cuts as well as wage reductions. The Village also cancelled various contracts effective April 2013. These include credit and debit card processing, online docketing, processing of e-tickets, global positioning tracking, our third party web site maintenance and other amenities.

Village Council has been meeting to discuss other ways of reducing expenses. They passed ordinance 2013-11, authorizing monies from the tow fund to be moved to the general fund. In August 2013, Council passed Ordinance 2013-37, which adopted an Automated Speed Enforcement Program.

It is the Village's belief that with these austerity measures, the Village will be able to survive with 24 hour police protection and basic community services with no problem.

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# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Linndale, Cuyahoga County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 12, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Village changed their method of financial statement presentation. Additionally, we noted the Village's Mayor's Court ceased operations as a result of HB 606 which significantly reduced Village revenues.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-003 described in the accompanying schedule of findings to be material weaknesses.

***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, opining 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

***Entity's Response to Findings***

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.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 12, 2014

**VILLAGE OF LINNDALE  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 and 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Noncompliance and Material Weakness – Transfers and Advances**

Ohio Rev Code Sections 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable inter-fund transfers. In certain circumstances, which are detailed in Ohio Revised Code Section 5705.14, transfers from funds other than the General Fund may be made by resolution of the taxing authority, passed with a two-thirds affirmative vote. In addition to transfers from the General Fund and those permitted by Ohio Revised Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Revised Code Section 5705.15.

Except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of the council members (i.e., a two thirds vote is not required for General Fund transfers though a resolution is required).

In addition, Auditor of State Bulletin 97-003 prescribes the following accounting treatment for inter-fund cash advances, based on requirements derived from Ohio Revised Code Sections 5705.10, 5705.14 through 5705.16, 5705.39, 5705.41, and 5705.36.

In order to advance cash from one fund to another:

- There must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement;
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include a specific statement that the transaction is an advance of cash, and an indication of the money (fund) from which it is expected that repayment will be made; and
- Transfers and advances must be approved and clearly labeled as such by a formal resolution of the taxing authority of the subdivision which must include: a specific statement that the transaction is a transfer/advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

Council did not formally approve any of the transfers or advances made during 2012 or 2013. A resolution was passed in 2013 "Authorizing the Treasurer to move money, as needed, from all funds, except from funds 2061, 9101 and 9901, to the General Fund to meet obligations as needed..." During 2013 transfers totaling \$31,000 were made from the Tow Fund to the General Fund to meet obligations, however these amounts were not specifically approved and the transfers were not allowable. The Clerk-Treasurer made adjustments to their financial statements and accounting records to reverse the effect of these illegal transfers.

Failure to follow the procedures prescribed above when making cash advances and transfers could result in budgetary violations, and resulted in the Village using money from a fund where there is no statutory authority to use the money for a particular purpose.

**VILLAGE OF LINNDALE  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 and 2012  
(Continued)**

The Village Council should approve all advances and transfers prior to the actual advance or transfer occurring and prior to being entered into the accounting system. The Village should also review Ohio Rev. Code Sections 5705.14 -.16 and Auditor of State Bulletin 97-003 to ensure proper procedures are followed and only allowable transfers and advances are made.

**FINDING NUMBER 2013-002**

**Noncompliance – Certification of the Fiscal Officer**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority 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 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 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 that he 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority 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 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 board against any specific line item account over a period not running beyond 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 particular line item appropriation.

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

During the testing of non-payroll disbursements, there were 11 out of 13 and 9 out of 11 transactions against purchase orders in 2012 and 2013, respectively, in which transactions were not certified by the 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 can result in overspending funds and deficit cash balances.



**VILLAGE OF LINNDALE  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 and 2012  
(Continued)**

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 Clerk-Treasurer should certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which 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 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 Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2013-003**

**Material Weakness – Financial Reporting**

Sound financial reporting is the responsibility of the Clerk-Treasurer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following deficiencies were noted and the Clerk-Treasurer made subsequent adjustments to correct the financial statements and, where applicable, the Village's accounting records for 2012 and 2013:

- Transactions and balances belonging to the Street Construction, Maintenance, and Repair fund were incorrectly included within the General Fund in the Uniform Accounting Network (UAN) accounting system.
- Prior audit adjustments made to the financial statements were not accurately posted in the UAN system causing fund balances to be inaccurate.
- Intergovernmental Revenues in the Street Construction, Maintenance, and Repair fund were incorrectly posted as Property Tax Revenue.
- An illegal transfer was made and posted from the Tow Fund to the General Fund, requiring the transaction to be reversed out.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of the financial data throughout the year and year-end.

The Village should adopt policies and procedures for controls over recording of daily financial transactions and over financial reporting to help ensure the information accurately reflects the activity and position of the Village and thereby increasing the reliability of the financial data at year-end.

*Officials Response:* The Village of Linndale has reviewed the State of Ohio's Auditor's report pertaining to the Village's finances. The Village acknowledges the findings and plans to implement changes in order to address the specific weaknesses and opportunities contained therein. Any funds that were misallocated have been corrected before the report was finalized and the Village plans to add additional controls in the future to ensure that misallocation or improper transfer of funds does not occur. Additionally, the Village is mindful of the optional accounting methods and practices recommended in the report and plan to evaluate whether implementation of these methods is feasible in the future.

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**VILLAGE OF LINNDALE  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Ohio Rev. Code Section 5705.39 – Appropriations Exceeding Estimated Resources	No	Partially corrected and moved to management letter.
2011-02	Ohio Rev. Code Section 5705.36 (A)(2) – Amending Certificates	Yes	Finding no longer valid.
2011-03	Ohio Rev. Code Section 5705.41(D) – Certification of Fiscal Officer	No	Not corrected; repeated as Finding 2013-002.
2011-04	Finding for Recovery – Purchase of Alcohol	Yes	Finding previously repaid under audit. No longer valid.
2011-05	Ohio Rev. Code Section 2303.20 (A), (Q), or (U) – Expenditures of Court Computerization Fees	Yes	Finding no longer valid.
2011-06	Ohio Rev. Code Sections 5705.14-.16 – Approval of Transfers and Advances	No	Not corrected; repeated as Finding 2013-001
2011-07	Material Weakness – Proper Posting of Revenue to Financial Statements	No	Partially corrected; repeated as Finding 2013-003

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# Dave Yost • 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  
SEPTEMBER 30, 2014**