



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 119th Street
Linndale, Ohio 44135

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Linndale, Cuyahoga County, (the Village) as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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 (GAAP), to satisfy these requirements.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, 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, 2015 and 2014, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2017, 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.



Dave Yost
Auditor of State
Columbus, Ohio

January 11, 2017

**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, 2015**

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|-------------------------|-------------------------|-------------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$6,641 | \$0 | \$0 | \$6,641 |
| Municipal Income Tax | 61,405 | 0 | 0 | 61,405 |
| Intergovernmental | 3,329 | 6,889 | 0 | 10,218 |
| Charges for Services | 5,091 | 15,274 | 0 | 20,365 |
| Fines, Licenses and Permits | 1,363,335 | 0 | 0 | 1,363,335 |
| Earnings on Investments | 1 | 0 | 0 | 1 |
| Miscellaneous | 16,130 | 0 | 0 | 16,130 |
| <i>Total Cash Receipts</i> | <u>1,455,932</u> | <u>22,163</u> | <u>0</u> | <u>1,478,095</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 588,060 | 800 | 0 | 588,860 |
| Leisure Time Activities | 0 | 0 | 0 | 0 |
| Basic Utility Services | 6,828 | 0 | 0 | 6,828 |
| Transportation | 8,446 | 78,534 | 0 | 86,980 |
| General Government | 312,226 | 1,145 | 0 | 313,371 |
| Capital Outlay | 2,814 | 13,117 | 0 | 15,931 |
| <i>Total Cash Disbursements</i> | <u>918,374</u> | <u>93,596</u> | <u>0</u> | <u>1,011,970</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>537,558</u> | <u>(71,433)</u> | <u>0</u> | <u>466,125</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | 0 | 64,800 | 0 | 64,800 |
| Transfers Out | (64,800) | 0 | 0 | (64,800) |
| Advances In | 0 | 0 | 0 | 0 |
| Advances Out | 0 | 0 | 0 | 0 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(64,800)</u> | <u>64,800</u> | <u>0</u> | <u>0</u> |
| <i>Net Change in Fund Cash Balances</i> | 472,758 | (6,633) | 0 | 466,125 |
| <i>Fund Cash Balances, January 1</i> | <u>416,803</u> | <u>157,035</u> | <u>101,030</u> | <u>674,868</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | 0 | 150,402 | 101,030 | 251,432 |
| Committed | 0 | 0 | 0 | 0 |
| Unassigned (Deficit) | 889,561 | 0 | 0 | 889,561 |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$889,561</u></u> | <u><u>\$150,402</u></u> | <u><u>\$101,030</u></u> | <u><u>\$1,140,993</u></u> |

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

VILLAGE OF LINNDALE
 CUYAHOGA COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
 AND CHANGES IN FUND BALANCES (CASH BASIS)
 FIDUCIARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>Fiduciary Fund Type</u> |
|---|----------------------------|
| | <u>Agency</u> |
| Operating Cash Receipts | |
| Fines, Licenses and Permits | \$15,704 |
| <i>Total Operating Cash Receipts</i> | <u>15,704</u> |
| Operating Cash Disbursements | |
| Contractual Services | 9,935 |
| Other | 6,157 |
| <i>Total Operating Cash Disbursements</i> | <u>16,092</u> |
| <i>Operating Income (Loss)</i> | <u>(388)</u> |
| <i>Net Change in Fund Cash Balances</i> | (388) |
| <i>Fund Cash Balances, January 1</i> | <u>50,598</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$50,210</u></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)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$3,560 | \$0 | \$0 | \$3,560 |
| Municipal Income Tax | 61,516 | 0 | 0 | 61,516 |
| Intergovernmental | 1,663 | 8,243 | 0 | 9,906 |
| Charges for Services | 14,303 | 39,787 | 0 | 54,090 |
| Fines, Licenses and Permits | 1,052,839 | 0 | 0 | 1,052,839 |
| Earnings on Investments | 1 | 0 | 0 | 1 |
| Miscellaneous | 22,431 | 0 | 0 | 22,431 |
| <i>Total Cash Receipts</i> | <u>1,156,313</u> | <u>48,030</u> | <u>0</u> | <u>1,204,343</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 507,377 | 0 | 0 | 507,377 |
| Leisure Time Activities | 43 | 0 | 0 | 43 |
| Basic Utility Services | 6,024 | 0 | 0 | 6,024 |
| Transportation | 674 | 9,678 | 0 | 10,352 |
| General Government | 179,587 | 949 | 0 | 180,536 |
| Capital Outlay | 8,667 | 0 | 0 | 8,667 |
| <i>Total Cash Disbursements</i> | <u>702,372</u> | <u>10,627</u> | <u>0</u> | <u>712,999</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>453,941</u> | <u>37,403</u> | <u>0</u> | <u>491,344</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | 0 | 0 | 0 | 0 |
| Transfers Out | 0 | 0 | 0 | 0 |
| Advances In | 0 | 0 | 0 | 0 |
| Advances Out | 0 | 0 | 0 | 0 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Net Change in Fund Cash Balances</i> | 453,941 | 37,403 | 0 | 491,344 |
| <i>Fund Cash Balances, January 1</i> | <u>(37,138)</u> | <u>119,632</u> | <u>101,030</u> | <u>183,524</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | 0 | 157,035 | 101,030 | 258,065 |
| Committed | 0 | 0 | 0 | 0 |
| Unassigned (Deficit) | 416,803 | 0 | 0 | 416,803 |
| <i>Fund Cash Balances, December 31</i> | <u>\$416,803</u> | <u>\$157,035</u> | <u>\$101,030</u> | <u>\$674,868</u> |

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

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014

| | <u>Fiduciary Fund Type</u> |
|---|----------------------------|
| | <u>Agency</u> |
| Operating Cash Receipts | |
| Fines, Licenses and Permits | \$29,015 |
| <i>Total Operating Cash Receipts</i> | <u>29,015</u> |
| Operating Cash Disbursements | |
| Contractual Services | 18,160 |
| Other | 7,200 |
| <i>Total Operating Cash Disbursements</i> | <u>25,360</u> |
| <i>Operating Income (Loss)</i> | <u>3,655</u> |
| <i>Net Change in Fund Cash Balances</i> | 3,655 |
| <i>Fund Cash Balances, January 1</i> | <u>46,943</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$50,598</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, 2015 AND 2014**

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 and police services. The Village contracts with the City of Cleveland to provide fire and EMS protection.

The Village participates in a jointly governed organization. Note 8 to the financial statements provides additional information for this entity.

Jointly Governed Organization:

The Northeast Ohio Public Energy Council (NOPEC) is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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:

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.

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

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.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had no significant Capital Project Funds.

4. 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.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the collection and distribution of towing fees to Parma Municipal Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

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 2015 and 2014 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.

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.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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:

| | 2015 | 2014 |
|--------------------------------|-------------|-----------|
| Demand deposits | \$1,191,203 | \$725,466 |
| Total deposits and investments | \$1,191,203 | \$725,466 |

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

| 2015 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$984,271 | \$1,455,932 | \$471,661 |
| Special Revenue | 242,596 | 86,963 | (155,633) |
| Capital Projects | 0 | 0 | 0 |
| Total | \$1,226,867 | \$1,542,895 | \$316,028 |

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2015 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------------|
| General | \$978,304 | \$985,622 | (\$7,318) |
| Special Revenue | 269,800 | 93,596 | 176,204 |
| Capital Projects | 90,000 | 0 | 90,000 |
| Total | <u>\$1,338,104</u> | <u>\$1,079,218</u> | <u>\$258,886</u> |

2014 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|-----------------|
| General | \$956,976 | \$1,156,313 | \$199,337 |
| Special Revenue | 197,188 | 48,030 | (149,158) |
| Capital Projects | 24,286 | 0 | (24,286) |
| Total | <u>\$1,178,450</u> | <u>\$1,204,343</u> | <u>\$25,893</u> |

2014 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------------|
| General | \$977,319 | \$705,617 | \$271,702 |
| Special Revenue | 190,000 | 10,627 | 179,373 |
| Capital Projects | 90,000 | 0 | 90,000 |
| Total | <u>\$1,257,319</u> | <u>\$716,244</u> | <u>\$541,075</u> |

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.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For July to December 2015, OP&F participants contributed 12.25 percent of their wages. For July 2014 to June 2015, OP&F participants contributed 11.5 percent of their wages. For January to June 2014, OP&F participants contributed 10.75 percent of their wages. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5 percent of police members' wages. For 2015 and 2014, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

7. RISK MANAGEMENT

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.

8. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting NOPEC at 31320 Solon Road, Suite 20, Solon, Ohio 44139.



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 119th 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, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated January 11, 2017, 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.

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 opinions 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-003 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 2015-001 and 2015-002.

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.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 11, 2017

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

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

1. Transfers and Advances

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|-----------------------|----------|
| <i>Finding Number</i> | 2015-001 |
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev Code §5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable interfund transfers. In certain circumstances, which are detailed in Ohio Revised Code §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 §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 §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 §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;
- 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.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

Council did not formally approve any of the transfers or advances made during 2014 or 2015. A resolution was passed in 2014 "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 2014 transfers totaling \$11,000 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 Fiscal Officer 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.

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 §5705.14 -.16 and Auditor of State Bulletin 97-003 to ensure proper procedures are followed and only allowable transfers and advances are made.

Official's Response:

The Village did not respond to this finding.

2. **Noncompliance – Certification of the Fiscal Officer**

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| <i>Finding Number</i> | 2015-002 |
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NONCOMPLIANCE

Ohio Rev. Code §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.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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.

There were 30 out of 37 and 26 out of 31 transactions against purchase orders in 2014 and 2015, respectively, in which transactions were not certified by the Fiscal Officer 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.

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 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 Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response:

The Village did not respond to this finding.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

3. Financial Reporting

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| <i>Finding Number</i> | 2015-003 |
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MATERIAL WEAKNESS

Sound financial reporting is the responsibility of the Fiscal Officer 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 Fiscal Officer made subsequent adjustments to correct the financial statements and, where applicable, the Village's accounting records for 2014 and 2015:

- Transactions and balances belonging to the General and Tow fund were incorrectly included within the Agency Fund in the Uniform Accounting Network (UAN) accounting system.
- Intergovernmental Revenues in the Street Construction, Maintenance, and Repair fund were incorrectly posted as Property Tax Revenue.
- An illegal transfer in 2014 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.

Official's Response:

The Village did not respond to this finding.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2013-001 | Transfers and Advances – Council did not formally approve any transfers or advances made during 2012 or 2013, which led to illegal transfers of funds. | Not Corrected | Repeated as Finding 2015-001 |
| 2013-002 | Certification of the Fiscal Officer – Transactions were not properly certified by the Fiscal Officer at the time of commitment in accordance with Ohio Rev. Code Section 5705.41(D). | Not Corrected | Repeated as Finding 2015-002 |
| 2013-003 | Financial Reporting – Various transactions were not properly classified in the accounting records or financial statements. | Not Corrected | Repeated as Finding 2015-003 |

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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
JANUARY 31, 2017