



**Auditor of State
Betty Montgomery**

VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 9, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Glenwillow, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2005 and December 31, 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and December 31, 2004, or its changes in financial position for the years then ended.

Also in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Glenwillow, Cuyahoga County, Ohio, as of December 31, 2005 and December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2006, 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.



Betty Montgomery
Auditor of State

October 9, 2006

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$123,764 | \$4,081 | \$0 | \$0 | \$127,845 |
| Municipal Income Tax | 1,166,664 | 105,204 | 180,346 | 75,144 | 1,527,358 |
| Special Assessments | 0 | 0 | 37,746 | 250,000 | 287,746 |
| Intergovernmental Receipts | 23,722 | 70,253 | 0 | 0 | 93,975 |
| Charges for Services | 12,205 | 2,500 | 0 | 92,676 | 107,381 |
| Fines, Licenses, and Permits | 293,017 | 6,550 | 0 | 0 | 299,567 |
| Earnings on Investments | 84,171 | 10 | 0 | 0 | 84,181 |
| Miscellaneous | 6,110 | 14,837 | 0 | 0 | 20,947 |
| | <u>1,709,653</u> | <u>203,435</u> | <u>218,092</u> | <u>417,820</u> | <u>2,549,000</u> |
| Total Cash Receipts | | | | | |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 665,678 | 231 | 0 | 0 | 665,909 |
| Public Health Services | 5,080 | 0 | 0 | 0 | 5,080 |
| Community Environment | 156,377 | 0 | 0 | 0 | 156,377 |
| Transportation | 0 | 152,892 | 0 | 185,235 | 338,127 |
| General Government | 858,055 | 118,666 | 571 | 0 | 977,292 |
| Capital Outlay | 9,999 | 49,040 | 0 | 1,099,246 | 1,158,285 |
| Debt Service: | | | | | |
| Principal Payments | 0 | 0 | 55,000 | 600,000 | 655,000 |
| Interest Payments | 0 | 0 | 94,541 | 0 | 94,541 |
| | <u>1,695,189</u> | <u>320,829</u> | <u>150,112</u> | <u>1,884,481</u> | <u>4,050,611</u> |
| Total Cash Disbursements | | | | | |
| Total Receipts Over/(Under) Disbursements | <u>14,464</u> | <u>(117,394)</u> | <u>67,980</u> | <u>(1,466,661)</u> | <u>(1,501,611)</u> |
| Other Financing Receipts and (Disbursements): | | | | | |
| Sale of Notes | 0 | 0 | 0 | 875,000 | 875,000 |
| Sale of Fixed Assets | 2,650 | 0 | 0 | 0 | 2,650 |
| Transfers-In | 180,000 | 52,000 | 0 | 100,000 | 332,000 |
| Transfers-Out | (100,000) | (2,000) | 0 | (180,000) | (282,000) |
| | <u>82,650</u> | <u>50,000</u> | <u>0</u> | <u>795,000</u> | <u>927,650</u> |
| Total Other Financing Receipts/(Disbursements) | | | | | |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 97,114 | (67,394) | 67,980 | (671,661) | (573,961) |
| Fund Cash Balances, January 1, 2005 | <u>1,625,030</u> | <u>277,691</u> | <u>81,582</u> | <u>1,186,736</u> | <u>3,171,039</u> |
| Fund Cash Balances, December 31, 2005 | <u>\$1,722,144</u> | <u>\$210,297</u> | <u>\$149,562</u> | <u>\$515,075</u> | <u>\$2,597,078</u> |
| Reserves for Encumbrances, December 31, 2005 | <u>\$77,251</u> | <u>\$107,955</u> | <u>\$34</u> | <u>\$101,806</u> | <u>\$287,046</u> |

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

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - THE FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | Fiduciary Fund Type |
|--|--------------------------------|
| | Agency |
| Operating Cash Receipts: | |
| Charges for Services | \$106,653 |
| Fines, Licenses, and Permits | 67,732 |
| Total Operating Cash Receipts | 174,385 |
| Operating Cash Disbursements: | |
| Contractual Services | 63,884 |
| Other | 122,166 |
| Total Operating Cash Disbursements | 186,050 |
| Operating Income/(Loss) | (11,665) |
| Transfers Out | (50,000) |
| Net Receipts Over/(Under) Disbursements | (61,665) |
| Fund Cash Balances, January 1, 2005 | 233,757 |
| Fund Cash Balances, December 31, 2005 | \$172,092 |
| Reserve for Encumbrances, December 31, 2005 | \$12,157 |

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

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$98,733 | \$3,758 | \$0 | \$0 | \$102,491 |
| Municipal Income Tax | 922,089 | 90,538 | 48,139 | 61,696 | 1,122,462 |
| Special Assessments | | 0 | 40,277 | 0 | 40,277 |
| Intergovernmental Receipts | 127,490 | 55,443 | 0 | 0 | 182,933 |
| Charges for Services | 100 | 3,000 | 0 | 48,368 | 51,468 |
| Fines, Licenses, and Permits | 294,085 | 6,740 | 0 | 0 | 300,825 |
| Earnings on Investments | 29,936 | 11 | 0 | 0 | 29,947 |
| Miscellaneous | 11,114 | 108,615 | 0 | 0 | 119,729 |
| | <u>1,483,547</u> | <u>268,105</u> | <u>88,416</u> | <u>110,064</u> | <u>1,950,132</u> |
| Total Cash Receipts | | | | | |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 577,192 | 0 | 0 | 0 | 577,192 |
| Public Health Services | 6,539 | 0 | 0 | 0 | 6,539 |
| Leisure Time Activities | 0 | 0 | 0 | 0 | 0 |
| Community Environment | 146,532 | 2,900 | 0 | 0 | 149,432 |
| Basic Utility Services | 0 | 0 | 0 | 0 | 0 |
| Transportation | 0 | 176,639 | 0 | 90,734 | 267,373 |
| General Government | 970,017 | 105,215 | 181 | 0 | 1,075,413 |
| Debt Service: | | | | | |
| Principal Payments | 0 | 0 | 20,000 | 0 | 20,000 |
| Interest Payments | 0 | 0 | 19,290 | 0 | 19,290 |
| Capital Outlay | 1,417,697 | 15,337 | 0 | 20,376 | 1,453,410 |
| | <u>3,117,977</u> | <u>300,091</u> | <u>39,471</u> | <u>111,110</u> | <u>3,568,649</u> |
| Total Cash Disbursements | | | | | |
| Total Receipts Over/(Under) Disbursements | <u>(1,634,430)</u> | <u>(31,986)</u> | <u>48,945</u> | <u>(1,046)</u> | <u>(1,618,517)</u> |
| Other Financing Receipts and (Disbursements): | | | | | |
| Premium on Bonds Issued | 0 | 0 | 3,611 | 0 | 3,611 |
| Sale of Notes | 0 | 0 | 0 | 600,000 | 600,000 |
| Sale of Bonds | 1,400,000 | 0 | 0 | 100,000 | 1,500,000 |
| Transfers-In | 0 | 80,000 | 0 | 175,000 | 255,000 |
| Transfers-Out | (255,000) | 0 | 0 | 0 | (255,000) |
| | <u>1,145,000</u> | <u>80,000</u> | <u>3,611</u> | <u>875,000</u> | <u>2,103,611</u> |
| Total Other Financing Receipts/(Disbursements) | | | | | |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (489,430) | 48,014 | 52,556 | 873,954 | 485,094 |
| Fund Cash Balances, January 1, 2004 | <u>2,114,460</u> | <u>229,677</u> | <u>29,026</u> | <u>312,782</u> | <u>2,685,945</u> |
| Fund Cash Balances, December 31, 2004 | <u>\$1,625,030</u> | <u>\$277,691</u> | <u>\$81,582</u> | <u>\$1,186,736</u> | <u>\$3,171,039</u> |
| Reserves for Encumbrances, December 31, 2004 | <u>\$155,135</u> | <u>\$48,603</u> | <u>\$0</u> | <u>\$93,255</u> | <u>\$296,993</u> |

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

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - THE FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | Fiduciary Fund Type |
|--|--------------------------------|
| | Agency |
| Operating Cash Receipts: | |
| Charges for Services | \$240,381 |
| Fines, Licenses, and Permits | 95,723 |
| Total Operating Cash Receipts | 336,104 |
| Operating Cash Disbursements: | |
| Contractual Services | 71,111 |
| Other | 84,576 |
| Total Operating Cash Disbursements | 155,687 |
| Operating Income/(Loss) | 180,417 |
| Fund Cash Balances, January 1, 2004 | 53,340 |
| Fund Cash Balances, December 31, 2004 | \$233,757 |
| Reserve for Encumbrances, December 31, 2004 | \$22,776 |

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

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Glenwillow, Cuyahoga County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental and police services. Fire and ambulance services are contracted through the City of Solon and the Village of Oakwood.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village's investment in STAR Ohio is recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Debt Service Funds

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

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

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

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

4. Capital Project Funds

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

Bond Street Storm Fund -This fund is used to account for the reconstruction of Bond Street.

Scape Street Fund – This fund is used to account for maintenance and repair of Scape Street and is funded from transfers from the general fund.

5. Agency Funds

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

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

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

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | 2005 | 2004 |
|--------------------------------|-------------|-------------|
| Demand deposits | \$305,158 | \$2,100,070 |
| Investment - STAR Ohio | 2,464,012 | 1,304,726 |
| Total deposits and investments | \$2,769,170 | \$3,404,796 |

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

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

3. BUDGETARY ACTIVITY

Budgetary activity (excluding activity related to the Mayor's Court) for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

| | Budgeted | Actual | |
|------------------|-------------|-------------|-------------|
| Fund Type | Receipts | Receipts | Variance |
| General | \$2,083,627 | \$1,892,303 | (\$191,324) |
| Special Revenue | 452,485 | 255,435 | (197,050) |
| Debt Service | 39,500 | 218,092 | 178,592 |
| Capital Projects | 1,575,000 | 1,392,820 | (182,180) |
| Agency | 148,100 | 108,254 | (39,846) |
| Total | \$4,298,712 | \$3,866,904 | (\$431,808) |

2005 Budgeted vs. Actual Budgetary Basis Expenditures

| | Appropriation | Budgetary | |
|------------------|---------------|--------------|-------------|
| Fund Type | Authority | Expenditures | Variance |
| General | \$2,294,923 | \$1,872,440 | \$422,483 |
| Special Revenue | 665,428 | 430,784 | 234,644 |
| Debt Service | 155,491 | 150,146 | 5,345 |
| Capital Projects | 2,497,990 | 2,166,287 | 331,703 |
| Agency | 227,776 | 182,076 | 45,700 |
| Total | \$5,841,608 | \$4,801,733 | \$1,039,875 |

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2004 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,632,306 | \$2,883,547 | \$1,251,241 |
| Special Revenue | 582,253 | 348,105 | (234,148) |
| Debt Service | 38,000 | 92,027 | 54,027 |
| Capital Projects | 2,768,000 | 985,064 | (1,782,936) |
| Agency | 188,000 | 267,093 | 79,093 |
| Total | \$5,208,559 | \$4,575,836 | (\$632,723) |

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$4,015,373 | \$3,528,112 | \$487,261 |
| Special Revenue | 466,264 | 348,694 | 117,570 |
| Debt Service | 40,290 | 39,471 | 819 |
| Capital Projects | 583,400 | 204,365 | 379,035 |
| Agency | 179,000 | 109,452 | 69,548 |
| Total | \$5,284,327 | \$4,230,094 | \$1,054,233 |

Contrary to Ohio Revised Code § 5705.39, total appropriations exceeded total estimated revenues at December 31, 2005 and December 31, 2004 for the following funds:

| Fund | Appropriations | Estimated Resources | Difference |
|--|----------------|------------------------|------------|
| <u>December 31, 2005</u> | | | |
| Street Construction Maintenance & Repair | \$298,350 | \$294,707 | (\$3,643) |
| Richmond Road Phase II | 47,500 | 25,000 | (22,500) |
| <u>December 31, 2004</u> | | | |
| General | 3,997,590 | 3,746,767 | (250,823) |
| Service Center Facility | 29,500 | 0 | (29,500) |

4. LOCAL INCOME TAX

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

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

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

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.

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

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

6. DEBT

Debt outstanding at December 31, 2005 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|--------------------|----------------------|
| Water Line Special Assessment Bond | \$75,000 | 6.80% |
| Sanitary Sewer Special Assessment Bond | 210,000 | 5.25% |
| Land Acquisition Bond | 1,460,000 | 2.05% |
| Capital Improvement Note | 125,000 | 3.00% |
| Bond Anticipation Note - Bond Street | 750,000 | 3.40% |
| Total | <u>\$2,620,000</u> | |

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

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

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

The Capital Improvement Note was issued in 2005 and relates to the Tinkers Creek Stream Restoration project and matures in one year.

The Bond Anticipation Note was issued in 2005 in anticipation of issuing bonds for the Bond Street Storm and Reconstruction project and matures in one year

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. DEBT (Continued)

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

| Year | Water Line Special Assessment Bond | Sanitary Sewer Special Assessment Bond | Land Acquisition Bond | Total |
|-----------|--|--|-----------------------------|--------------------|
| 2006 | \$15,225 | \$22,050 | \$122,675 | \$159,950 |
| 2007 | 14,540 | 21,525 | 125,706 | 161,771 |
| 2008 | 13,850 | 21,000 | 123,519 | 158,369 |
| 2009 | 13,150 | 20,475 | 126,331 | 159,956 |
| 2010 | 12,450 | 19,950 | 123,925 | 156,325 |
| 2011-2015 | 27,800 | 109,650 | 659,157 | 796,607 |
| 2016-2020 | | 107,100 | 622,688 | 729,788 |
| 2021-2024 | | | 494,625 | 494,625 |
| Total | <u>\$97,015</u> | <u>\$321,750</u> | <u>\$2,398,626</u> | <u>\$2,817,391</u> |

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant [and 24 percent of fire participant] wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

8. RISK MANAGEMENT – RISK POOL MEMBERSHIP

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

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

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

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

9. RISK MANAGEMENT – RISK POOL MEMBERSHIP (Continued)

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

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

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

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

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

10. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

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

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



**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Glenwillow, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated October 9, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated October 9, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Village's management dated October 9, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Village Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 9, 2006

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

| | |
|-----------------------|-----------------|
| FINDING NUMBER | 2005-001 |
|-----------------------|-----------------|

Noncompliance Citation - Appropriations Exceeded Estimated Resources

Ohio Revised Code § 5705.39 provides, in part, that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure. We noted the following funds had appropriations in excess of estimated resources at December 31, 2005 and December 31, 2004.

| Fund | Appropriations | Estimated Resources | Difference |
|--|----------------|---------------------|------------|
| December 31, 2005 | | | |
| Street Construction Maintenance & Repair | \$298,350 | \$294,707 | (\$3,643) |
| Richmond Road Phase II | 47,500 | 25,000 | (22,500) |
| December 31, 2004 | | | |
| General Fund | 3,997,590 | 3,746,767 | (250,823) |
| Service Center Facility | 29,500 | 0 | (29,500) |

The above instances occurred because the Village did not amend its certificate of estimated resources prior to fiscal year end and instead, amended the certificate the following year.

We recommend the Village monitor and/or amend their estimated resources when it amends its appropriations to ensure that appropriations do not exceed estimated resources. We also recommend the Village update its estimated resources prior to fiscal year end.

Village Response

The Village will monitor total appropriations and total estimated resources on a monthly basis and amended the budgetary documents when necessary.

**VILLAGE OF GLENWILLOW
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|--|------------------|---|
| 2003-001 | Four funds had total appropriations in excess of total estimated revenues contrary to Ohio Revised Code § 5705.39. | No | Comment will be reissued as finding 2005-001 |



**Auditor of State
Betty Montgomery**

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VILLAGE OF GLENWILLOW

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 9, 2006**