



Dave Yost • Auditor of State

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

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VILLAGE OF WELLINGTON
CUYAHOGA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Linndale
Cuyahoga County
4016 West 119th Street
Linndale, Ohio 44135

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Linndale, Cuyahoga County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Linndale, Cuyahoga County, Ohio, as of December 31, 2011 and 2010, and the respective changes in cash financial position, thereof and the budgetary comparison for the General and Tow Funds, thereof for the years then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2010 the Village of Linndale adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As described in Note 13, the Village's Mayor's Court ceased operations on March 22, 2013 when Ohio House Bill 606 took effect. The law eliminates revenues from Mayor's Court operations which were a significant source of Village resources. The financial statements do not include any adjustments that might result from this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2013, 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.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets and changes in net assets. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

May 10, 2013

Village of Linndale Cuyahoga County

Management's Discussion & Analysis (Unaudited)

For the Years Ended December 31, 2011 and 2010

This discussion and analysis of the Village of Linndale, Cuyahoga County, Ohio, (the Village) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2010 and 2011, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2010 and 2011 are as follows:

- Net assets of governmental activities increased \$78,491 or 33.6 percent for 2010 and increased \$58,652, or 18.8 percent for 2011. In 2010, the fund most affected by the increase in cash and cash equivalents was the General Fund, which had an increase of receipts in 2010. In 2011, the fund most affected by the increase in cash and cash equivalents were the Other Governmental Funds, which was due to transfers and advances in from the General Fund.
- The Village's program receipts are primarily charges for services. These receipts represent 79.4 and 82.4 percent of the total cash received for governmental activities during 2010 and 2011, respectively. Property and income tax receipts for 2010 and 2011 changed very little as development within the Village has slowed. Income tax receipts for 2011 decreased approximately 12 percent from 2010 due to the downturn in the economy and rising unemployment rates. The Village received less withholdings and companies within the jurisdiction had lower profits to pay income taxes on.

Using the Basic Financial Statements

This report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting major funds in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of Linndale Cuyahoga County

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

For the Years Ended December 31, 2011 and 2010

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2010 and 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we present the Village as one type of activity:

Governmental activities - The Village's basic services reported here are primarily court costs. Net proceeds from Mayor's Court Activity finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Village of Linndale Cuyahoga County

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

For the Years Ended December 31, 2011 and 2010

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds for 2010 and 2011 are the General, Tow, and Other Capital Improvements Funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2011 on a cash basis compared to 2010 and 2009.

	Table 1 Net Assets		
	<u>Governmental Activities</u> <u>2011</u>	<u>Governmental Activities</u> <u>2010</u>	<u>Governmental Activities</u> <u>2009</u>
Assets:			
Cash and cash equivalents	\$ <u>371,032</u>	\$ <u>312,380</u>	\$ <u>233,889</u>
Total assets	<u>371,032</u>	<u>312,380</u>	<u>233,889</u>
Net assets:			
Restricted for:			
Capital Projects	85,800	65,714	54,901
Unrestricted	<u>285,232</u>	<u>246,666</u>	<u>178,988</u>
Total net assets	\$ <u><u>371,032</u></u>	\$ <u><u>312,380</u></u>	\$ <u><u>233,889</u></u>

As mentioned previously, net assets of governmental activities increased \$78,491 or 33.6 percent for 2010 and increased \$58,652 or 18.9 percent during 2011. The primary reason contributing to the increase in cash was the continuous slight increase in receipts incurred during 2010 and 2011.

**Village of Linndale
Cuyahoga County**

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

For the Years Ended December 31, 2011 and 2010

Table 2 reflects the changes in net assets in 2011, 2010, and 2009.

	Table 2 Changes in Net Assets		
	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Receipts:			
Program receipts:			
Charges for services	\$ <u>1,016,434</u>	\$ <u>941,926</u>	\$ <u>820,286</u>
Total program receipts	<u>1,016,434</u>	<u>941,926</u>	<u>820,286</u>
General receipts:			
Property and other local taxes	6,612	7,442	6,705
Income taxes	80,324	90,802	78,621
Grants and entitlements not restricted to specific programs	121,162	117,802	158,658
Interest	2	3	3
Proceeds from sale of fixed assets	-	8,400	-
Miscellaneous	<u>9,673</u>	<u>20,714</u>	<u>8,044</u>
Total general receipts	<u>217,773</u>	<u>245,163</u>	<u>252,031</u>
Total receipts	<u>1,234,207</u>	<u>1,187,089</u>	<u>1,072,317</u>
Disbursements:			
General government	404,947	398,549	337,102
Security of persons and property	742,127	676,981	635,234
Basic utility services	13,425	20,870	18,992
Transportation	<u>15,056</u>	<u>12,198</u>	<u>2,774</u>
Total disbursements	<u>1,175,555</u>	<u>1,108,598</u>	<u>994,102</u>
Change in net assets	58,652	78,491	78,215
Net assets at beginning of year	<u>312,380</u>	<u>233,889</u>	<u>155,674</u>
Net assets at end of year	\$ <u><u>371,032</u></u>	\$ <u><u>312,380</u></u>	\$ <u><u>233,889</u></u>

Program receipts represent 79.4 and 82.4 percent for 2010 and 2011, respectively, of total receipts and are primarily comprised of charges for services from court activity.

In 2010 and 2011, general receipts represent only 20.6 and 17.6 percent, respectively, of the Village’s total receipts. Of the general receipts, 40.1 percent in 2010 and 39.9 percent in 2011 are property and other local taxes and income taxes. Grants and entitlements make up 48.1 percent in 2010 and 55.6 percent in 2011 of the Village’s general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

**Village of Linndale
Cuyahoga County**

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

For the Years Ended December 31, 2011 and 2010

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the clerk-treasurer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs. Security of Persons and Property are the costs of police and fire protection; Basic Utility Services are for trash removal, and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 10 for 2011 and page 17 for 2010, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons and property, which account for 36.0 and 61.1 percent in 2010 and 34.5 and 63.1 percent in 2011 of all governmental disbursements, respectively. The next column of the Statement, titled Program Receipts identifies amounts paid by people who are directly charged for the service received by the Village that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2011	Net Cost of Services 2010
General government	\$ 404,947	\$ 398,549	\$ (379,197)	\$ (373,818)
Security of persons and property	742,127	676,981	248,557	240,214
Basic utility services	13,425	20,870	(13,425)	(20,870)
Transportation	15,056	12,198	(15,056)	(12,198)
Total disbursements	\$ <u>1,175,555</u>	\$ <u>1,108,598</u>	\$ <u>(159,121)</u>	\$ <u>(166,672)</u>

Village of Linndale Cuyahoga County

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

For the Years Ended December 31, 2011 and 2010

The Government's Funds

In 2010, total governmental funds had receipts and other financing sources of \$1,274,875 and disbursements and other financing uses of \$1,196,384, leaving a net change in fund balance of \$78,491. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$29,020 as the result of increased receipts of the Village.

In 2011, total governmental funds had receipts and other financing sources of \$1,344,025 and disbursements and other financing uses of \$1,285,373, leaving a net change in fund balance of \$58,652. The greatest change within governmental funds occurred within the Other Governmental Funds. The fund balance of the Other Governmental Funds increased \$37,100 as the result of advances and transfers from the General Fund.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2010, the Village did not amend its General Fund budgeted appropriations. The Village's final budget for appropriations was greater than actual expenditures by \$163,716.

During 2011, the Village did not amend its General Fund budgeted appropriations. The Village's final budget for appropriations was greater than actual expenditures by \$99,272.

Capital Assets

The Village maintains a listing of its capital assets and infrastructure. These amounts are not required to be presented in the financial statements.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Michael Toczek, Clerk of Courts, Village of Linndale, 4016 West 119th Street, Linndale, Ohio 44135.

**Village of Linndale
Cuyahoga County**

Statement of Net Assets - Cash Basis

December 31, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>371,032</u>
Total assets	<u>371,032</u>
Net Assets:	
Restricted for:	
Capital projects	85,800
Unrestricted	<u>285,232</u>
Total net assets	\$ <u><u>371,032</u></u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

Statement of Activities - Cash Basis

For the Year Ended December 31, 2011

	<u>Cash Disbursements</u>	<u>Program Cash Receipts Charges for Services</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities</u>
Governmental Activities:			
General government	\$ 404,947	\$ 25,750	\$ (379,197)
Security of persons and property	742,127	990,684	248,557
Basic utility services	13,425	-	(13,425)
Transportation	15,056	-	(15,056)
Total governmental activities	<u>\$ 1,175,555</u>	<u>\$ 1,016,434</u>	<u>(159,121)</u>
General Receipts:			
Property tax levied for:			
General purpose			6,612
Municipal income taxes			80,324
Grants and entitlements not restricted to specific programs			121,162
Investment earnings			2
Miscellaneous			<u>9,673</u>
Total general receipts			<u>217,773</u>
Change in net assets			58,652
Net assets at beginning of year			<u>312,380</u>
Net assets at end of year			<u>\$ 371,032</u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

Statement of Cash Basis Assets and Fund Balances – Governmental Funds

December 31, 2011

	<u>General</u>	<u>Tow Fund</u>	<u>Other Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ <u>106,752</u>	\$ <u>51,964</u>	\$ <u>85,800</u>	\$ <u>126,516</u>	\$ <u>371,032</u>
Total assets	\$ <u>106,752</u>	\$ <u>51,964</u>	\$ <u>85,800</u>	\$ <u>126,516</u>	\$ <u>371,032</u>
Fund Balance:					
Restricted	\$ -	\$ 51,964	\$ 85,800	\$ 105,746	\$ 243,510
Assigned	1,577	-	-	20,770	22,347
Unassigned	<u>105,175</u>	-	-	-	<u>105,175</u>
Total fund balance	\$ <u>106,752</u>	\$ <u>51,964</u>	\$ <u>85,800</u>	\$ <u>126,516</u>	\$ <u>371,032</u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

**Statement of Cash Receipts, Disbursements and Changes in Cash Basis
Fund Balances – Governmental Funds**

For the Year Ended December 31, 2011

	<u>General</u>	<u>Tow Fund</u>	<u>Other Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property taxes and other local taxes	\$ 86,936	\$ -	\$ -	\$ -	\$ 86,936
State and shared taxes and permits	284	-	-	-	284
Intergovernmental	6,595	-	-	114,283	120,878
Charges for services	24,550	63,634	-	-	88,184
Fines, licenses, and permits	837,898	2,845	20,086	67,421	928,250
Earnings on investments	2	-	-	-	2
Miscellaneous	9,673	-	-	-	9,673
Total receipts	<u>965,938</u>	<u>66,479</u>	<u>20,086</u>	<u>181,704</u>	<u>1,234,207</u>
Disbursements:					
Current:					
General government	338,884	-	-	66,063	404,947
Security of persons and property	563,651	75,524	-	102,952	742,127
Basic utility services	13,425	-	-	-	13,425
Transportation	8,697	-	-	6,359	15,056
Total disbursements	<u>924,657</u>	<u>75,524</u>	<u>-</u>	<u>175,374</u>	<u>1,175,555</u>
Excess of receipts over (under) disbursements	<u>41,281</u>	<u>(9,045)</u>	<u>20,086</u>	<u>6,330</u>	<u>58,652</u>
Other financing sources (uses):					
Advances – in	39,524	-	-	49,524	89,048
Transfers – in	-	-	-	20,770	20,770
Advances – out	(49,524)	-	-	(39,524)	(89,048)
Transfers – out	(20,770)	-	-	-	(20,770)
Total other financing sources (uses)	<u>(30,770)</u>	<u>-</u>	<u>-</u>	<u>30,770</u>	<u>-</u>
Net change in fund balance	10,511	(9,045)	20,086	37,100	58,652
Fund balance at beginning of year	<u>96,241</u>	<u>61,009</u>	<u>65,714</u>	<u>89,416</u>	<u>312,380</u>
Fund balance at end of year	\$ <u>106,752</u>	\$ <u>51,964</u>	<u>85,800</u>	\$ <u>126,516</u>	\$ <u>371,032</u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

**Statement of Receipts, Disbursements and Changes In Fund Balance -
Budget and Actual - Budget Basis
General Fund**

For the Year Ended December 31, 2011

	Budgeted Amounts			Variance
	Original	Final	Actual	Final Budget Positive (Negative)
Receipts:				
Property taxes and other local taxes	\$ 85,903	\$ 85,903	\$ 86,936	\$ 1,033
State and shared taxes and permits	281	281	284	3
Intergovernmental	6,517	6,517	6,595	78
Charges for services	24,258	24,258	24,550	292
Fines, licenses, and permits	827,938	827,938	837,898	9,960
Earnings on investments	2	2	2	-
Miscellaneous	9,558	9,558	9,673	115
Total receipts	<u>954,457</u>	<u>954,457</u>	<u>965,938</u>	<u>11,481</u>
Disbursements:				
Current:				
General government	377,179	377,179	338,884	38,295
Security of persons and property	601,000	601,000	563,651	37,349
Public health services	250	250	-	250
Basic utility services	16,500	16,500	13,425	3,075
Transportation	29,000	29,000	8,697	20,303
Total disbursements	<u>1,023,929</u>	<u>1,023,929</u>	<u>924,657</u>	<u>99,272</u>
Excess of receipts over (under) disbursements	<u>(69,472)</u>	<u>(69,472)</u>	<u>41,281</u>	<u>110,753</u>
Other financing sources (uses):				
Advances – in	39,524	39,524	39,524	-
Advances – out	(49,524)	(49,524)	(49,524)	-
Transfers – out	(23,071)	(23,071)	(20,770)	2,301
Total other financing sources (uses)	<u>(33,071)</u>	<u>(33,071)</u>	<u>(30,770)</u>	<u>2,301</u>
Net change in fund balance	(102,543)	(102,543)	10,511	113,054
Fund balance beginning of year	<u>96,241</u>	<u>96,241</u>	<u>96,241</u>	<u>-</u>
Fund balance end of year	\$ <u>(6,302)</u>	\$ <u>(6,302)</u>	\$ <u>106,752</u>	\$ <u>113,054</u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

**Statement of Receipts, Disbursements and Changes In Fund Balance -
Budget and Actual - Budget Basis
Tow Fund**

For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts:				
Charges for services	\$ 18,178	\$ 18,178	\$ 63,634	\$ 45,456
Fees, licenses, and permits	<u>813</u>	<u>813</u>	<u>2,845</u>	<u>2,032</u>
Total receipts	<u>18,991</u>	<u>18,991</u>	<u>66,479</u>	<u>47,488</u>
Disbursements:				
Current:				
General government	<u>80,000</u>	<u>80,000</u>	<u>75,524</u>	<u>4,476</u>
Net change in fund balance	(61,009)	(61,009)	(9,045)	51,964
Fund balance beginning of year	<u>61,009</u>	<u>61,009</u>	<u>61,009</u>	-
Fund balance end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>51,964</u></u>	\$ <u><u>51,964</u></u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

Statement of Fiduciary Net Assets in Cash Basis – Fiduciary Funds

December 31, 2011

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>75,942</u>
Total assets	\$ <u><u>75,942</u></u>
Net Assets:	
Unrestricted	\$ <u>75,942</u>
Total net assets	\$ <u><u>75,942</u></u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

Statement of Net Assets - Cash Basis

December 31, 2010

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>312,380</u>
Total assets	<u>312,380</u>
Net Assets:	
Restricted for:	
Capital projects	65,714
Unrestricted	<u>246,666</u>
Total net assets	\$ <u><u>312,380</u></u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

Statement of Activities - Cash Basis

For the Year Ended December 31, 2010

	<u>Cash Disbursements</u>	<u>Program Cash Receipts Charges for Services</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities</u>
Governmental Activities:			
General government	\$ 398,549	\$ 24,731	\$ (373,818)
Security of persons and property	676,981	917,195	240,214
Basic utility services	20,870	-	(20,870)
Transportation	12,198	-	(12,198)
Total governmental activities	<u>\$ 1,108,598</u>	<u>\$ 941,926</u>	<u>(166,672)</u>
General Receipts:			
Property tax levied for:			
General purpose			7,442
Municipal income taxes			90,802
Grants and entitlements not restricted to specific programs			117,802
Investment earnings			3
Proceeds from sale of fixed assets			8,400
Miscellaneous			<u>20,714</u>
Total general receipts			<u>245,163</u>
Change in net assets			78,491
Net assets at beginning of year			<u>233,889</u>
Net assets at end of year			<u>\$ 312,380</u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

Statement of Cash Basis Assets and Fund Balances – Governmental Funds

December 31, 2010

	<u>General</u>	<u>Tow Fund</u>	<u>Other Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ <u>96,241</u>	\$ <u>61,009</u>	\$ <u>65,714</u>	\$ <u>89,416</u>	\$ <u>312,380</u>
Total assets	\$ <u>96,241</u>	\$ <u>61,009</u>	\$ <u>65,714</u>	\$ <u>89,416</u>	\$ <u>312,380</u>
Fund Balance:					
Restricted	\$ -	\$ 61,009	\$ 65,714	\$ 89,416	\$ 216,139
Assigned	1,330	-	-	-	1,330
Unassigned	<u>94,911</u>	-	-	-	<u>94,911</u>
Total fund balance	\$ <u>96,241</u>	\$ <u>61,009</u>	\$ <u>65,714</u>	\$ <u>89,416</u>	\$ <u>312,380</u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

**Statement of Cash Receipts, Disbursements and Changes in Cash Basis
Fund Balances – Governmental Funds**

For the Year Ended December 31, 2010

	<u>General</u>	<u>Tow Fund</u>	<u>Other Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property taxes and other local taxes	\$ 98,244	\$ -	\$ -	\$ -	\$ 98,244
State and shared taxes and permits	731	-	-	-	731
Intergovernmental	6,683	-	-	110,388	117,071
Charges for services	35,510	67,228	-	-	102,738
Fines, licenses, and permits	752,864	-	18,122	68,202	839,188
Earnings on investments	3	-	-	-	3
Miscellaneous	20,714	-	-	-	20,714
Total receipts	<u>914,749</u>	<u>67,228</u>	<u>18,122</u>	<u>178,590</u>	<u>1,178,689</u>
Disbursements:					
Current:					
General government	332,974	-	7,309	58,266	398,549
Security of persons and property	523,901	44,935	-	108,145	676,981
Basic utility services	20,870	-	-	-	20,870
Transportation	5,198	-	-	7,000	12,198
Total disbursements	<u>882,943</u>	<u>44,935</u>	<u>7,309</u>	<u>173,411</u>	<u>1,108,598</u>
Excess of receipts over (under) disbursements	<u>31,806</u>	<u>22,293</u>	<u>10,813</u>	<u>5,179</u>	<u>70,091</u>
Other financing sources (uses):					
Proceeds from sale of fixed assets	-	3,145	-	5,255	8,400
Advances – in	27,500	-	-	60,000	87,500
Transfers – in	-	-	-	286	286
Advances – out	(30,000)	-	-	(57,500)	(87,500)
Transfers – out	(286)	-	-	-	(286)
Total other financing sources (uses)	<u>(2,786)</u>	<u>3,145</u>	<u>-</u>	<u>8,041</u>	<u>8,400</u>
Net change in fund balance	29,020	25,438	10,813	13,220	78,491
Fund balance at beginning of year	<u>67,221</u>	<u>35,571</u>	<u>54,901</u>	<u>76,196</u>	<u>233,889</u>
Fund balance at end of year	\$ <u><u>96,241</u></u>	\$ <u><u>61,009</u></u>	<u><u>65,714</u></u>	\$ <u><u>89,416</u></u>	\$ <u><u>312,380</u></u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

**Statement of Receipts, Disbursements and Changes In Fund Balance -
Budget and Actual - Budget Basis
General Fund**

For the Year Ended December 31, 2010

	Budgeted Amounts			Variance
	Original	Final	Actual	Final Budget Positive (Negative)
Receipts:				
Property taxes and other local taxes	\$ 106,419	\$ 106,520	\$ 98,244	\$ (8,276)
State and shared taxes and permits	792	793	731	(62)
Intergovernmental	7,239	7,246	6,683	(563)
Charges for services	38,465	38,501	35,510	(2,991)
Fines, licenses, and permits	815,510	816,287	752,864	(63,423)
Earnings on investments	3	3	3	-
Miscellaneous	22,438	22,459	20,714	(1,745)
Total receipts	<u>990,866</u>	<u>991,809</u>	<u>914,749</u>	<u>(77,060)</u>
Disbursements:				
Current:				
General government	399,909	399,909	332,974	66,935
Security of persons and property	601,000	601,000	523,901	77,099
Public health services	250	250	-	250
Basic utility services	16,500	16,500	20,870	(4,370)
Transportation	29,000	29,000	5,198	23,802
Total disbursements	<u>1,046,659</u>	<u>1,046,659</u>	<u>882,943</u>	<u>163,716</u>
Excess of receipts over (under) disbursements	<u>(55,793)</u>	<u>(54,850)</u>	<u>31,806</u>	<u>86,6556</u>
Other financing sources (uses):				
Advances – in	27,500	27,500	27,500	-
Advances – out	(30,000)	(30,000)	(30,000)	-
Transfers – out	(341)	(341)	(286)	55
Total other financing sources (uses)	<u>(2,841)</u>	<u>(2,841)</u>	<u>(2,786)</u>	<u>55</u>
Net change in fund balance	(58,634)	(57,691)	29,020	86,711
Fund balance beginning of year	<u>67,221</u>	<u>67,221</u>	<u>67,221</u>	<u>-</u>
Fund balance end of year	\$ <u>8,587</u>	\$ <u>9,530</u>	\$ <u>96,241</u>	\$ <u>86,711</u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

**Statement of Receipts, Disbursements and Changes In Fund Balance -
Budget and Actual - Budget Basis
Tow Fund**

For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>			Variance Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Charges for services	\$ <u>22,776</u>	\$ <u>42,443</u>	\$ <u>67,228</u>	\$ <u>24,785</u>
Disbursements:				
Current:				
General government	<u>40,000</u>	<u>80,000</u>	<u>44,935</u>	<u>35,065</u>
Excess of receipts over (under) disbursements	<u>(17,224)</u>	<u>(37,557)</u>	<u>22,293</u>	<u>59,850</u>
Other financing sources (uses):				
Proceeds from sale of fixed assets	<u>1,065</u>	<u>1,986</u>	<u>3,145</u>	<u>1,159</u>
Net change in fund balance	(16,159)	(35,571)	25,438	61,009
Fund balance beginning of year	<u>35,571</u>	<u>35,571</u>	<u>35,571</u>	<u>-</u>
Fund balance end of year	\$ <u><u>19,412</u></u>	\$ <u><u>-</u></u>	\$ <u><u>61,009</u></u>	\$ <u><u>61,009</u></u>

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

Statement of Fiduciary Net Assets in Cash Basis – Fiduciary Funds

December 31, 2010

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ <u>80,919</u>
Total assets	\$ <u><u>80,919</u></u>
Net Assets:	
Unrestricted	\$ <u>80,919</u>
Total net assets	\$ <u><u>80,919</u></u>

See accompanying notes to the basic financial statements.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 1: Reporting Entity

The Village of Linndale, Cuyahoga County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council.

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

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

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt, or the levying of taxes. The Village has no component units.

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

Note 2: Summary of Significant Accounting Policies

A. Basis of Accounting

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

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

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

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

General Fund – The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Tow Fund – This fund was created by Council to earmark funds received from citizens who were towed and to be utilized for police purposes.

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

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

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

C. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the Village, except for fiduciary funds.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 2: Summary of Significant Accounting Policies (continued)

C. Basis of Presentation (continued)

The statement of net assets presents the cash balances of the governmental activities of the Village at December 31, 2010 and 2011. The statement of activities presents a comparison between disbursements and program receipts for each program or function of the Village's governmental activities. Program Cash Receipts include monies provided by the recipient of the services offered by the program, grants and contributions that are restricted to meeting the operations or capital requirements of particular program. Receipts which are not classified as program receipts are presented as general receipts of the Village, with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which the governmental programs are self-financing or draw from the general receipts of the Village.

Fund Financial Statements The Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental funds financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

D. Cash and Investments

Investments are reported in fund balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

E. Inventory

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

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

H. Net Assets

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

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 2: Summary of Significant Accounting Policies (continued)

I. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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 Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 2: Summary of Significant Accounting Policies (continued)

I. Fund Balance (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.

J. Budgetary Process

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

1. Appropriations

For 2010 and 2011, budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level for the General fund and fund level for all other funds, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

K. Subsequent Events

In preparing these financial statements, the Village has evaluated events and transactions for potential recognition or disclosure through May 10, 2013, the date the financial statements were available to be issued.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 3: Change in Accounting Principle

For 2010, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

GASB Statement No. 51 established accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

GASB Statement No. 58 provides account and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change to the financial statements.

For fiscal year 2011, the Village implemented Governmental Accounting Standards Board (“GASB”) Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The Village has no such investments and thus, the implementation of this Statement has no impact on the Village’s financial statements or disclosures.

**Village of Linndale
Cuyahoga County**

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 4: Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on a fund for the major governmental funds and all other governmental funds are presented below as of December 31, 2011:

	<u>General</u>	<u>Tow Fund</u>	<u>Other Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted					
Streets and highways	\$ -	\$ -	\$ -	\$ 4,431	\$ 4,431
Police purposes	-	51,964	-	13,670	65,634
Law enforcement education	-	-	-	1,317	1,317
Court computer fund	-	-	-	30,431	30,431
Other purposes	-	-	-	19,876	19,876
State grants	-	-	-	36,021	36,021
Capital improvement	-	-	85,800	-	85,800
Total Restricted	<u>-</u>	<u>51,964</u>	<u>85,800</u>	<u>105,746</u>	<u>243,510</u>
Assigned					
Other purposes	1,577	-	-	-	1,577
Revolving loan	-	-	-	20,770	20,770
Total Restricted	<u>1,577</u>	<u>-</u>	<u>-</u>	<u>20,770</u>	<u>22,347</u>
Unassigned					
Total fund balance	\$ <u>106,752</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>105,175</u>
	\$ <u>106,752</u>	\$ <u>51,964</u>	\$ <u>85,800</u>	\$ <u>126,516</u>	\$ <u>371,032</u>

The constraints placed on a fund for the major governmental funds and all other governmental funds are presented below as of December 31, 2010:

	<u>General</u>	<u>Tow Fund</u>	<u>Other Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted					
Streets and highways	\$ -	\$ -	\$ -	\$ 4,645	\$ 4,645
Police purposes	-	61,009	-	32,496	93,505
Law enforcement education	-	-	-	9,630	9,630
Court computer fund	-	-	-	22,769	22,769
Other purposes	-	-	-	19,876	19,876
Capital improvement	-	-	65,714	-	65,714
Total Restricted	<u>-</u>	<u>61,009</u>	<u>65,714</u>	<u>89,416</u>	<u>216,139</u>
Assigned					
Other purposes	<u>1,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,330</u>
Unassigned					
Total fund balance	\$ <u>96,241</u>	\$ <u>61,009</u>	\$ <u>65,714</u>	\$ <u>89,416</u>	\$ <u>312,380</u>

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 5: Compliance

Contrary to the Ohio Revised Code Section 5705.39, the Law Enforcement Trust Fund and State Grant Fund had 2010 final appropriations in excess of estimated resources plus beginning balances in the amounts of \$10,000 and \$175,905, respectively.

Contrary to the Ohio Revised Code Section 5705.39, the Energy Grant Fund had 2011 final appropriations in excess of estimated resources plus beginning balance in the amount of \$53,000.

Ohio Revised Code Section 5705.41 (B)(D) there were 12 out of 15 (80%) and 9 out of 14 (64%) transactions against purchase orders in 2011 and 2010, respectively, in which transactions were not certified by the Clerk-Treasurer at the time the commitment was incurred.

Note 6: Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are monies identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Village of Linndale

Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 6: Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

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

At December 31, 2010 and 2011, the carrying amounts of the Village's deposits were \$393,299 and \$446,974, respectively, and the bank balances were \$408,388 and \$507,444, respectively, of which all was covered by Federal depository insurance.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 7: Property Tax

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

Public utilities are also taxed on personal and real property located within the Village. Public utility tangible personal property is currently assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village. The assessed values of real property, public utility property, and tangible personal property upon which 2010 and 2011 property tax receipts were based are as follows:

	<u>2011</u>	<u>2010</u>
Real Property		
Residential/Agriculture	\$ 693,790	\$ 693,060
Commercial/Industrial/Other	1,651,340	1,644,550
Public Utility Property	<u>118,120</u>	<u>115,120</u>
Total	\$ <u>2,463,250</u>	\$ <u>2,452,730</u>

Note 8: 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 Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 9: Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, the investment which is self-directed by the members, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the years ended December 31, 2011 and 2010, the members of all three plans were required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The Village contributed 14.0 percent for both 2011 and 2010 of covered payroll. In 2011, the pension allocation for the traditional plan was 10 percent and 7.95 percent for the combined plan. In 2011, the portion of employer contributions allocated to health care for members in the traditional plan was 4.0 percent and for members in the combined plan was 6.05 percent. In 2010, the portion of employer contributions allocated to health care for members in the traditional plan was 5.5 percent from January 1 through February 28 and 5.0 percent from March 1 through December 31 and for members in the combined plan was 4.73 percent from January 1 through February 28 and 4.23 percent from March 1 through December 31. The contribution rate is determined actuarially.

The Village's required contributions for pension obligations, excluding the health care portion, to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$26,249, \$28,139 and \$24,335 respectively, equal to the required contributions for each year. The full amount has been contributed for all three years.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 9: Pension Plans (continued)

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (Pension Fund), a cost-sharing multiple-employer defined benefit pension plan. The Pension Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Pension Fund issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to Pension Fund, Attention: Chief Financial Officer, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers. The portion of the Village's contributions to fund pension obligations was 12.75 percent for police officers. Contributions are authorized by state statute. The Village's contributions, excluding the health care portion, for the years ending December 31, 2011, 2010 and 2009 were \$21,258, \$18,134, and \$14,540. The full amount has been contributed for all three years.

Note 10: Postemployment Benefits

A. Ohio Public Employees Retirement System

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained in writing to OPERS, 227 E. Town St., Columbus, OH, 43215-4642, or by calling (614)222-5601 or (800)222-7377.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 10: Postemployment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The 2011 and 2010 employer contribution rate was 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of the post employment health care benefits. For 2011, the employer contribution allocated to the health care for members in the traditional plan was 4.0 percent and for members in the combined plan was 6.05 percent. For 2010, the portion of employer contributions allocated to health care for members in the traditional plan was 5.5 percent from January 1 through February 28 and 5.0 percent of covered payroll from March 1 through December 31. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to a change based on Board action. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Village's contributions for health care for the years ended December 31, 2011, 2010, and 2009 were \$18,999, \$16,001, and \$17,509, respectively; total contributions have been made for each year.

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

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by the Pension Fund. The Pension Fund provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

The Pension Fund provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by the Pension Fund meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate the Pension Fund to provide OPEB benefits. Authority for the Pension Fund Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

**Village of Linndale
Cuyahoga County**

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 10: Postemployment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

The Pension Fund issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to the Pension Fund, Attention: Chief Financial Officer, 140 E. Town St., Columbus, Ohio 43215-5164.

The Ohio Revised Code provides for contribution requirements of the participating employers and of the plan members to the Pension Fund (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent of covered payroll for police employers. The Ohio revised Code states that the employer contribution may not exceed 19.5 percent of the covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

The Pension Fund maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the years ended December 31, 2011 and 2010, the employer contribution allocated to health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 1150 and 401(h).

The Pension Fund Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to the Pension Fund for police for the years ending December 31, 2011, 2010, and 2009 were \$32,504, \$27,728, and \$22,232, respectively, of which \$11,247, \$9,594, and \$7,692, respectively, was allocated to the healthcare plan. The full amount has been contributed for each year.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 11: Risk Management

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

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 financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets	\$ 12,501,280	\$ 12,036,541
Liabilities	<u>(5,328,761)</u>	<u>(4,845,056)</u>
Members' Equity	\$ <u>7,172,519</u>	\$ <u>7,191,485</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

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

**Village of Linndale
Cuyahoga County**

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 12: Interfund Activity

The transfers among Village funds were made to provide additional resources for current operations. Transfer made during the year ended December 31, 2010 was for \$286 from the General fund to Other Governmental Funds.

The advances among Village funds were made to provide additional resources for current operations. Advances made during the year ended December 31, 2010 were as follows:

<u>Advance to</u>	<u>Advance from</u>		<u>Total</u>
	<u>General</u>	<u>Other Governmental Funds</u>	
General	\$ -	\$ 27,500	\$ 27,500
Other Governmental Funds	<u>30,000</u>	<u>30,000</u>	<u>60,000</u>
Total	\$ <u>30,000</u>	\$ <u>57,500</u>	\$ <u>87,500</u>

The transfers among Village funds were made to provide additional resources for current operations. Transfer made during the year ended December 31, 2011 was for \$20,770 from the General fund to Other Governmental Funds.

The advances among Village funds were made to provide additional resources for current operations. Advances made during the year ended December 31, 2011 were as follows:

<u>Advance to</u>	<u>Advance from</u>		<u>Total</u>
	<u>General</u>	<u>Other Governmental Funds</u>	
General	\$ -	\$ 39,524	\$ 39,524
Other Governmental Funds	<u>49,524</u>	<u>-</u>	<u>49,524</u>
Total	\$ <u>49,524</u>	\$ <u>39,524</u>	\$ <u>89,048</u>

**Village of Linndale
Cuyahoga County**

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2011 and 2010

Note 13: Subsequent Event

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 will be severely impacted if HB 606 is allowed to stand. The Village and other communities are filing actions that request an injunction and/or stay of the law as it now stands. As of the date of this report, the Village has not received a ruling from the appeals court.

If the law stands, the Village would have to cut personnel and services severely. The Village has already taken steps to cut expenses, including cancelling various contracts effective April 1, 2013. These include credit and debit card processing, online docketing, processing e-tickets, global positioning tracking, our third party web site maintenance and other amenities.

Council has been meeting to discuss personnel and benefit cuts and wage reductions. It is the Village's belief that with these austerity measures, the Village would be able to survive with 24 hours police protection and basic community services with no problem

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Dave Yost • Auditor of State

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

Village of Linndale
Cuyahoga County
4016 West 119th Street
Linndale, Ohio 44135

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village as of and for the year ended December 31, 2011 and 2010, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 10, 2013, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles, they adopted Governmental Accounting Standards Board Statement No. 54, and their Mayor's Court ceased operation as a result of HB 606 which significantly reduces Village revenues. We also noted 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 Government 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(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-05 and 2011-07 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-06.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 10, 2013.

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



Dave Yost
Auditor of State

May 10, 2013

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 & 2010**

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

FINDING NUMBER 2011-01

Material Noncompliance – Appropriations Exceeding Estimated Resources

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

The following funds had year-end appropriations exceeding estimated resources plus the unencumbered balance for 2010:

Fund	Estimated Resources Plus Unencumbered Balance	Appropriations	Variance
State Grant I Fund	\$40,744	\$216,649	(\$175,905)
Law Enforcement Trust Fund	40,000	50,000	(10,000)

The following fund had year-end appropriations exceeding estimated resources plus the unencumbered balance for 2011:

Fund	Estimated Resources Plus Unencumbered Balance	Appropriations	Variance
Energy Grant Fund	\$0	\$53,000	(\$53,000)

Monitoring annual appropriations is vital for maintaining sound budgetary practices. Appropriating more money than expected to be received could lead to negative fund balances and monies being used to cover expenses being charged to inappropriate funds or lines items. It also could lead to commitments being made without appropriate funds to cover the expenses.

We recommend the Village closely monitor the appropriations to ensure that they do not exceed estimated resources and update the amended certificate with the County Auditor as needed.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 & 2010

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

(Continued)

FINDING NUMBER 2011-02

Material Noncompliance – Amended Certificates

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriations.

At December 31, 2010, we noted appropriations exceeded actual available resources in the following funds:

Fund	Unencumbered		Appropriations	Variance
	Balance	Actual Revenues		
General Fund	\$67,221	\$914,749	\$1,047,000	(\$65,030)
Law Enforcement Trust Fund	4,145	20,696	50,000	(25,159)
State Grant I Fund	10,842	60,188	216,649	(145,619)
State Grant II Fund	0	44,364	50,000	(5,636)

This condition resulted in and could cause additional appropriations to exceed estimated resources or result in deficit fund balances if the expenditures equaled the appropriations for the fund.

The Village should compare actual available revenues throughout the fiscal year with the final appropriations measure to ensure compliance with this requirement. If variances as noted are found, the Village should report the deficiencies to the County Budget Commission in order to obtain an amended official certificate and reduce the appropriations, if necessary.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 & 2010

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

(Continued)

FINDING NUMBER 2011-03

Material 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 12 out of 15 (80%) and 9 out of 14 (64%) transactions against purchase orders in 2011 and 2010, 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.

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.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 & 2010

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

(Continued)

FINDING NUMBER 2011-03 (Continued)

Material Noncompliance – Certification of the Fiscal Officer (Continued)

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.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 & 2010

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

(Continued)

FINDING NUMBER 2011-04

Material Noncompliance - Finding for Recovery Repaid Under Audit – Purchase of Alcohol

Ohio Attorney General Opinion No. 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of *State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect and in addition states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

On March 15, 2010, the Village reimbursed Karen Sikon \$14 for the purchase of alcohol plus tax labeled as “Jose Cuervo” on the receipt.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended has been against Karen Sikon, in the amount of \$14 in favor of the Village’s General Fund. In addition, Shannon Condon, Village Clerk Treasurer, and Ohio Plan Risk Management, Inc., her bonding company, are jointly and severally liable in the amount of \$14 and in favor of the Village’s General Fund.

This finding for recovery was repaid in full under audit on April 12, 2013 by Karen Sikon.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 & 2010

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

(Continued)

FINDING NUMBER 2011-05

Material Noncompliance and Material Weakness - Court Computerization Fees

Common Pleas, County, and Municipal Courts are given the authority to assess additional fees on the filings of certain causes of actions to be used for the computerization of the court and the clerk of court's office. The authority to charge these fees is derived from the language of Ohio Rev. Code Section 2303.201 for common pleas courts, Section 1907.261 for county courts, and Section 1901.261 for municipal courts. While there is no provision in Ohio Rev. Code Section 1905 that explicitly establishes a Mayor's Court computerization fund, it is the Auditor of State's opinion that the mayor's courts are also able to establish a computer fund.

These Code provisions state the court can authorize and direct the clerk of its court to charge an additional fee for the causes of action listed in Ohio Rev. Code Sections 2303.20 (A), (Q), or (U), if it determines that additional funds are necessary to computerize the operations of the court. The fee charged to computerize the operations of the court cannot exceed \$3, and the amount selected must be placed in a special revenue fund.

The fee assessed for the computerization of the courts pursuant to division A(1), which must not exceed \$3 per filing, may be used for the computerization of any aspect of the court, including the acquisition and maintenance of legal research software and hardware for court personnel.

As clarified in Auditor of State Bulletin 97-019, and later in Bulletin 2005-003, the following areas are considered appropriate expenditures for computerization purposes: computer space; computer electrical; computer air-conditioning; computer furniture; computer hardware; computer software; subscriptions to computer services; staff expenses related to operating the computer system, including fringe benefits; computer supplies, for example computer paper, diskettes, etc; training expenses; maintenance of equipment as well as computer needs studies.

During our review of the Village's 2010 and 2011 payment registers for the Court Computerization Fund (2401), we noted expenditures not related to the computerization of the court or the above requirements. Specifically, we noted expenditures for copier leases, UAN fees and audit fees. These expenditures totaled \$5,517 and \$2,864 for 2010 and 2011, respectively.

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 financial data at year-end.

The Village has agreed with the adjustments noted above and has adjusted the financial statements and Village accounting records to decrease the above expenditures in the Court Computerization Fund (2401) and move them to the General Fund (1000).

We recommend the Village establish policies on what are appropriate disbursements from their computerization fund and consult with the Village Law Director if necessary to ensure they are making proper expenditures.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 & 2010

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

(Continued)

FINDING NUMBER 2011-06

Material Noncompliance – Approval of 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.

We noted that Council did not formally approve any of the transfers or advances made during 2010 or 2011. These transactions were otherwise allowable if proper approval had been obtained prior to the transaction.

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

We recommend Council approve all advances and transfers prior to the actual advance or transfer occurring. All transfers and advances should be approved by Council prior to being entered into the Village's accounting system.

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 & 2010

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

(Continued)

FINDING NUMBER 2011-07

Material Weakness – Proper Posting of Revenue to Financial Statements

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

We noted the following weaknesses and the Clerk-Treasurer made subsequent adjustments to the financial statements and, where applicable, to the Village's accounting records for 2011:

- The Village overstated charges for services revenue and understated fines, licenses and permits revenue by \$197,034 in the General Fund.
- The Village overstated charges for services revenue and understated fines, licenses and permits revenue by \$2,845 in the Tow Fund.
- The Village overstated charges for services revenue and understated fines, licenses and permits revenue by \$54,555 in the RFI opinion unit.

We noted the following weaknesses and the Clerk-Treasurer made subsequent adjustments to the financial statements and, where applicable, to the Village's accounting records for 2010:

- The Village overstated charges for services revenue and understated fines, licenses and permits revenue by \$138,981 in the General Fund.
- The Village overstated charges for services revenue and understated fines, licenses and permits revenue by \$52,761 in the RFI opinion unit.

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 financial data at 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 of the Village and thereby increasing the reliability of the financial data at year-end.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 and 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-01	Ohio Rev. Code Section 5705.41(B) - Expenditures Plus Expenditures in Excess of Appropriation Authority	No	Move to management letter
2009-02	Ohio Rev. Code Section 5705.39 – Appropriations Exceeding Estimated Resources	No	Not Corrected; repeated as Finding Number 2011-001.
2009-03	Ohio Rev. Code Section 5705.41(D) – Certification of Fiscal Officer	No	Not Corrected; repeated as Finding Number 2011-003.
2009-04	Ohio Rev. Code Section 5705.36 (A)(2) – Amending Certificates	No	Not Corrected; repeated as Finding Number 2011-002.
2009-05	Ohio Rev. Code Section 2303.20 (A), (Q), or (U) – Expenditures of Court Computerization Fees	No	Not Corrected; repeated as Finding Number 2011-005.
2009-06	Village of Linndale Ord. 2005-14 – Other Capital Improvement Fund Expenditures	Yes	

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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
MAY 23, 2013