



**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF LINNDALE
CUYAHOGA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Linndale, Cuyahoga County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Linndale, Cuyahoga County, Ohio, as of December 31, 2009 and 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General, State Grant, Computer, Tow, and Death Benefits special revenue funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 3, 2010

Village of Linndale Cuyahoga County

Management's Discussion & Analysis (Unaudited)

For the Years Ended December 31, 2009 and 2008

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, 2008 and 2009, 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 2008 and 2009 are as follows:

- Net assets of governmental activities increased \$33,634 or 27.6 percent for 2008 and increased \$78,215, or 50.2 percent for 2009. In 2008, the fund most affected by the increase in cash and cash equivalents were the Other Governmental Funds, which had an increase of receipts in 2008; however, revenue increases affected most funds as well as decreased disbursements. In 2009, the fund most affected by the increase in cash and cash equivalents was the General Fund, which again recognized the greatest burden of increased costs in 2009; however, cost increases affected most funds.
- The Village's program receipts are primarily charges for services. These receipts represent 83.9 and 76.5 percent of the total cash received for governmental activities during 2008 and 2009, respectively. Property and income tax receipts for 2008 and 2009 changed very little as development within the Village has slowed. Income tax receipts for 2009 decreased approximately 13.6 percent from 2008 due to the downturn in the economy and rising unemployment rates. The City 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 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, 2009 and 2008

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 2008 and 2009, 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, 2009 and 2008

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 2008 are the General, Tow, Death Benefits and Other Capital Improvements Funds. For 2009, the major governmental funds are the General, State Grants, Computer, 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 2009 on a cash basis compared to 2008 and 2007.

| | Table 1 Net Assets | | |
|---------------------------|---|---|---|
| | <u>Governmental Activities</u> <u>2009</u> | <u>Governmental Activities</u> <u>2008</u> | <u>Governmental Activities</u> <u>2007</u> |
| Assets: | | | |
| Cash and cash equivalents | \$ <u>233,889</u> | \$ <u>155,674</u> | \$ <u>122,040</u> |
| Total assets | <u>233,889</u> | <u>155,674</u> | <u>122,040</u> |
| Net assets: | | | |
| Restricted for: | | | |
| Capital Projects | 54,901 | 46,534 | 29,098 |
| Unrestricted | <u>178,988</u> | <u>109,140</u> | <u>92,942</u> |
| Total net assets | \$ <u><u>233,889</u></u> | \$ <u><u>155,674</u></u> | \$ <u><u>122,040</u></u> |

As mentioned previously, net assets of governmental activities increased \$33,634 or 27.6 percent for 2008 and increased \$78,215 or 50.2 percent during 2009. The primary reason contributing to the increase in cash was the continuous decrease in costs incurred during 2008 and 2009.

**Village of Linndale
Cuyahoga County**

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

For the Years Ended December 31, 2009 and 2008

Table 2 reflects the changes in net assets in 2009, 2008, and 2007.

Table 2
Changes in Net Assets

| | <u>Governmental Activities</u> <u>2009</u> | <u>Governmental Activities</u> <u>2008</u> | <u>Governmental Activities</u> <u>2007</u> |
|--|---|---|---|
| Receipts: | | | |
| Program receipts: | | | |
| Charges for services | \$ 820,286 | \$ 882,911 | \$ 859,602 |
| Total program receipts | <u>820,286</u> | <u>882,911</u> | <u>859,602</u> |
| General receipts: | | | |
| Property and other local taxes | 6,705 | 6,692 | 7,409 |
| Income taxes | 78,621 | 90,950 | 98,467 |
| Grants and entitlements not restricted to specific programs | 158,658 | 66,217 | 14,415 |
| Interest | 3 | 33 | 34 |
| Miscellaneous | <u>8,044</u> | <u>5,915</u> | <u>5,791</u> |
| Total general receipts | <u>252,031</u> | <u>169,807</u> | <u>126,116</u> |
| Total receipts | <u>1,072,317</u> | <u>1,052,718</u> | <u>985,718</u> |
| Disbursements: | | | |
| General government | 337,102 | 337,498 | 404,029 |
| Security of persons and property | 635,234 | 647,476 | 630,074 |
| Leisure time activities | - | 3,509 | 1,263 |
| Community environment | - | 246 | - |
| Basic utility services | 18,992 | 18,093 | 15,497 |
| Transportation | <u>2,774</u> | <u>12,262</u> | <u>11,781</u> |
| Total disbursements | <u>994,102</u> | <u>1,019,084</u> | <u>1,062,644</u> |
| Change in net assets | 78,215 | 33,634 | (76,926) |
| Net assets at beginning of year | <u>155,674</u> | <u>122,040</u> | <u>198,966</u> |
| Net assets at end of year | <u>\$ 233,889</u> | <u>\$ 155,674</u> | <u>\$ 122,040</u> |

Program receipts represent 83.9 and 76.5 percent for 2008 and 2009, respectively, of total receipts and are primarily comprised of charges for services from court activity.

In 2008 and 2009, general receipts represent only 16.1 and 23.5 percent, respectively, of the Village's total receipts. Of the general receipts, 57.5 percent in 2008 and 33.9 percent in 2009 are property and other local taxes and income taxes. Grants and entitlements make up 39.0 percent in 2008 and 62.9 percent in 2009 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, 2009 and 2008

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 2009 and page 22 for 2008, 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 33.1 and 63.5 percent in 2008 and 33.9 and 63.9 percent in 2009 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 2009 | Total Cost of Services 2008 | Net Cost of Services 2009 | Net Cost of Services 2008 |
|----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| General government | \$ 337,102 | \$ 337,498 | \$ (322,602) | \$ (329,823) |
| Security of persons and property | 635,234 | 647,476 | 170,552 | 227,760 |
| Leisure time activities | - | 3,509 | - | (3,509) |
| Community environment | - | 246 | - | (246) |
| Basic utility services | 18,992 | 18,093 | (18,992) | (18,093) |
| Transportation | 2,774 | 12,262 | (2,774) | (12,262) |
| Total disbursements | \$ <u>994,102</u> | \$ <u>1,019,084</u> | \$ <u>(173,816)</u> | \$ <u>(136,173)</u> |

Village of Linndale Cuyahoga County

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

For the Years Ended December 31, 2009 and 2008

The Government's Funds

In 2008, total governmental funds had receipts and other financing sources of \$1,077,519 and disbursements and other financing uses of \$1,043,885, leaving a net change in fund balance of \$33,634. The greatest change within governmental funds occurred within the Other Governmental Funds. The fund balance of the Other Governmental Funds increased \$21,718 as the result of increased revenues of the Village.

In 2009, total governmental funds had receipts and other financing sources of \$1,197,317 and disbursements and other financing uses of \$1,119,102, leaving a net change in fund balance of \$78,215. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$28,929 as the result of decreasing costs and increased revenues of the Village.

General Fund Budgeting Highlights

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

During 2008, the Village did not amend its General Fund budget. The Village's final budget for appropriations was greater than actual expenditures by \$200,220.

During 2009, the Village did not amend its General Fund budgeted appropriations. The Village's final budget for appropriations that was greater than actual expenditures by \$269,312.

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, 2009

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ <u>233,889</u> |
| Total assets | <u>233,889</u> |
| Net Assets: | |
| Restricted for: | |
| Capital projects | 54,901 |
| Unrestricted | <u>178,988</u> |
| Total net assets | \$ <u><u>233,889</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, 2009

| | <u>Cash</u> <u>Disbursements</u> | <u>Program</u> <u>Cash Receipts</u> <u>Charges</u> <u>for Services</u> | <u>Net</u> <u>(Disbursements)</u> <u>Receipts and</u> <u>Changes</u> <u>in Net Assets</u> <u>Governmental</u> <u>Activities</u> |
|--|-------------------------------------|---|---|
| Governmental Activities: | | | |
| General government | \$ 337,102 | \$ 14,500 | \$ (322,602) |
| Security of persons and property | 635,234 | 805,786 | 170,552 |
| Basic utility services | 18,992 | - | (18,992) |
| Transportation | 2,774 | - | (2,774) |
| Total governmental activities | <u>\$ 994,102</u> | <u>\$ 820,286</u> | <u>(173,816)</u> |
| General Receipts: | | | |
| Property tax levied for: | | | |
| General purpose | | | 6,705 |
| Municipal income taxes | | | 78,621 |
| Grants and entitlements not restricted to specific programs | | | 158,658 |
| Investment earnings | | | 3 |
| Miscellaneous | | | <u>8,044</u> |
| Total general receipts | | | <u>252,031</u> |
| Change in net assets | | | 78,215 |
| Net assets at beginning of year | | | <u>155,674</u> |
| Net assets at end of year | | | <u>\$ 233,889</u> |

See accompanying notes to the basic financial statements.

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**Village of Linndale
Cuyahoga County**

Statement of Cash Basis Assets and Fund Balances – Governmental Funds

December 31, 2009

| | <u>General</u> | <u>State Grant Fund</u> | <u>Computer Fund</u> | <u>Tow Fund</u> |
|---|-------------------------|---------------------------------|--------------------------|-------------------------|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents | \$ <u>67,221</u> | \$ <u>10,842</u> | \$ <u>24,356</u> | \$ <u>35,571</u> |
| Total assets | \$ <u><u>67,221</u></u> | \$ <u><u>10,842</u></u> | \$ <u><u>24,356</u></u> | \$ <u><u>35,571</u></u> |
| Fund Balance: | | | | |
| Unreserved; undesignated: | | | | |
| General fund | \$ 67,221 | \$ - | \$ - | \$ - |
| Special revenue funds | - | 10,842 | 24,356 | 35,571 |
| Capital projects funds | - | - | - | - |
| Total fund balance | \$ <u><u>67,221</u></u> | \$ <u><u>10,842</u></u> | \$ <u><u>24,356</u></u> | \$ <u><u>35,571</u></u> |

See accompanying notes to the basic financial statements.

| Other Capital Improvements Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------|--------------------------------|--------------------------------|
| \$ <u>54,901</u> | \$ <u>40,998</u> | \$ <u>233,889</u> |
| \$ <u>54,901</u> | \$ <u>40,998</u> | \$ <u>233,889</u> |
| \$ - | \$ - | \$ 67,221 |
| - | 40,998 | 111,767 |
| <u>54,901</u> | <u>-</u> | <u>54,901</u> |
| \$ <u>54,901</u> | \$ <u>40,998</u> | \$ <u>233,889</u> |

**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, 2009

| | <u>General</u> | <u>State Grant Fund</u> | <u>Computer Fund</u> | <u>Tow Fund</u> |
|--|------------------|---------------------------------|--------------------------|---------------------|
| Receipts: | | | | |
| Property taxes and other local taxes | \$ 85,534 | \$ - | \$ - | \$ - |
| State and shared taxes and permits | 1,225 | - | - | - |
| Intergovernmental | 6,767 | 144,675 | - | - |
| Charges for services | 100,206 | - | 15,241 | 38,784 |
| Fines, licenses, and permits | 599,838 | - | - | - |
| Earnings on investments | 3 | - | - | - |
| Miscellaneous | 8,044 | - | - | - |
| Total receipts | <u>801,617</u> | <u>144,675</u> | <u>15,241</u> | <u>38,784</u> |
| Disbursements: | | | | |
| Current: | | | | |
| General government | 291,487 | 14,230 | 6,170 | - |
| Security of persons and property | 464,695 | 145,932 | - | 19,372 |
| Basic utility services | 18,992 | - | - | - |
| Transportation | 2,514 | - | - | - |
| Total disbursements | <u>777,688</u> | <u>160,162</u> | <u>6,170</u> | <u>19,372</u> |
| Excess of receipts over (under) disbursements | <u>23,929</u> | <u>(15,487)</u> | <u>9,071</u> | <u>19,412</u> |
| Other financing sources (uses): | | | | |
| Advances – in | 30,000 | 75,000 | - | 20,000 |
| Advances – out | <u>(25,000)</u> | <u>(50,000)</u> | <u>-</u> | <u>(20,000)</u> |
| Total other financing sources (uses) | <u>5,000</u> | <u>25,000</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | 28,929 | 9,513 | 9,071 | 19,412 |
| Fund balance at beginning of year | <u>38,292</u> | <u>1,329</u> | <u>15,285</u> | <u>16,159</u> |
| Fund balance at end of year | \$ <u>67,221</u> | \$ <u>10,842</u> | \$ <u>24,356</u> | \$ <u>35,571</u> |

See accompanying notes to the basic financial statements.

| <u>Other Capital Improvements Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---|---|
| \$ - | \$ - | \$ 85,534 |
| - | - | 1,225 |
| - | 5,783 | 157,225 |
| - | 43,043 | 197,274 |
| 20,583 | 2,591 | 623,012 |
| - | - | 3 |
| - | - | 8,044 |
| <u>20,583</u> | <u>51,417</u> | <u>1,072,317</u> |
| 12,216 | 12,999 | 337,102 |
| - | 5,235 | 635,234 |
| - | - | 18,992 |
| - | <u>260</u> | <u>2,774</u> |
| <u>12,216</u> | <u>18,494</u> | <u>994,102</u> |
| <u>8,367</u> | <u>32,923</u> | <u>78,215</u> |
| - | - | 125,000 |
| - | <u>(30,000)</u> | <u>(125,000)</u> |
| - | <u>(30,000)</u> | <u>-</u> |
| 8,367 | 2,923 | 78,215 |
| <u>46,534</u> | <u>38,075</u> | <u>155,674</u> |
| \$ <u>54,901</u> | \$ <u>40,998</u> | \$ <u>233,889</u> |

**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, 2009

| | Budgeted Amounts | | | Variance |
|--|---------------------------|---------------------------|-------------------------|--|
| | Original | Final | Actual | Final Budget Positive (Negative) |
| Receipts: | | | | |
| Property taxes and other local taxes | \$ 105,750 | \$ 105,750 | \$ 85,534 | \$ (20,216) |
| State and shared taxes and permits | 1,515 | 1,515 | 1,225 | (290) |
| Intergovernmental | 8,366 | 8,366 | 6,767 | (1,599) |
| Charges for services | 123,890 | 123,890 | 100,206 | (23,684) |
| Fines, licenses, and permits | 741,609 | 741,609 | 599,838 | (141,771) |
| Earnings on investments | 3 | 3 | 3 | - |
| Miscellaneous | 9,945 | 9,945 | 8,044 | (1,901) |
| Total receipts | <u>991,078</u> | <u>991,078</u> | <u>801,617</u> | <u>(189,461)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| General government | 400,250 | 400,250 | 291,487 | 108,763 |
| Security of persons and property | 601,000 | 601,000 | 464,695 | 136,305 |
| Public health services | 250 | 250 | - | 250 |
| Basic utility services | 16,500 | 16,500 | 18,992 | (2,492) |
| Transportation | 29,000 | 29,000 | 2,514 | 26,486 |
| Total disbursements | <u>1,047,000</u> | <u>1,047,000</u> | <u>777,688</u> | <u>269,312</u> |
| Excess of receipts over (under) disbursements | <u>(55,922)</u> | <u>(55,922)</u> | <u>23,929</u> | <u>79,851</u> |
| Other financing sources (uses): | | | | |
| Advances – in | 30,000 | 30,000 | 30,000 | - |
| Advances – out | <u>(25,000)</u> | <u>(25,000)</u> | <u>(25,000)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>5,000</u> | <u>5,000</u> | <u>5,000</u> | <u>-</u> |
| Net change in fund balance | (50,922) | (50,922) | 28,929 | 79,851 |
| Fund balance beginning of year | <u>38,292</u> | <u>38,292</u> | <u>38,292</u> | <u>-</u> |
| Fund balance end of year | \$ <u><u>(12,630)</u></u> | \$ <u><u>(12,630)</u></u> | \$ <u><u>67,221</u></u> | \$ <u><u>79,851</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
State Grant Fund**

For the Year Ended December 31, 2009

| | <u>Budgeted Amounts</u> | | | Variance Final Budget Positive (Negative) |
|--|-------------------------|-------------------------|-------------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts: | | | | |
| Intergovernmental | \$ <u>174,577</u> | \$ <u>174,577</u> | \$ <u>144,675</u> | \$ <u>(29,902)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| General government | 15,629 | 15,629 | 14,230 | 1,399 |
| Security of persons and property | <u>160,276</u> | <u>160,276</u> | <u>145,932</u> | <u>14,344</u> |
| Total expenditures | <u>175,905</u> | <u>175,905</u> | <u>160,162</u> | <u>15,743</u> |
| Excess of receipts over (under) disbursements | <u>(1,328)</u> | <u>(1,328)</u> | <u>(15,487)</u> | <u>(14,159)</u> |
| Other financing sources (uses): | | | | |
| Advances – in | 75,000 | 75,000 | 75,000 | - |
| Advances – out | <u>(50,000)</u> | <u>(50,000)</u> | <u>(50,000)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>25,000</u> | <u>25,000</u> | <u>25,000</u> | <u>-</u> |
| Net change in fund balance | 23,672 | 23,672 | 9,513 | (14,159) |
| Fund balance beginning of year | <u>1,329</u> | <u>1,329</u> | <u>1,329</u> | <u>-</u> |
| Fund balance end of year | \$ <u><u>25,001</u></u> | \$ <u><u>25,001</u></u> | \$ <u><u>10,842</u></u> | \$ <u><u>(14,159)</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
Computer Fund**

For the Year Ended December 31, 2009

| | <u>Budgeted Amounts</u> | | | Variance Final Budget Positive (Negative) |
|--------------------------------|-------------------------|------------------------|-------------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts: | | | | |
| Charges for services | \$ <u>22,343</u> | \$ <u>22,343</u> | \$ <u>15,241</u> | \$ <u>(7,102)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| General government | <u>30,000</u> | <u>30,000</u> | <u>6,170</u> | <u>23,830</u> |
| Net change in fund balance | (7,657) | (7,657) | 9,071 | 16,728 |
| Fund balance beginning of year | <u>15,285</u> | <u>15,285</u> | <u>15,285</u> | <u>-</u> |
| Fund balance end of year | \$ <u><u>7,628</u></u> | \$ <u><u>7,628</u></u> | \$ <u><u>24,356</u></u> | \$ <u><u>16,728</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
Tow Fund**

For the Year Ended December 31, 2009

| | <u>Budgeted Amounts</u> | | | Variance Final Budget Positive (Negative) |
|--|-------------------------|--------------------|-------------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts: | | | | |
| Charges for services | \$ <u>23,841</u> | \$ <u>23,841</u> | \$ <u>38,784</u> | \$ <u>14,943</u> |
| Disbursements: | | | | |
| Current: | | | | |
| General government | <u>40,000</u> | <u>40,000</u> | <u>19,372</u> | <u>20,628</u> |
| Excess of receipts over (under) disbursements | <u>(16,159)</u> | <u>(16,159)</u> | <u>19,412</u> | <u>35,571</u> |
| Other financing sources (uses): | | | | |
| Advances – in | 20,000 | 20,000 | 20,000 | - |
| Advances – out | <u>(20,000)</u> | <u>(20,000)</u> | <u>(20,000)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | (16,159) | (16,159) | 19,412 | 35,571 |
| Fund balance beginning of year | <u>16,159</u> | <u>16,159</u> | <u>16,159</u> | <u>-</u> |
| Fund balance end of year | \$ <u><u>-</u></u> | \$ <u><u>-</u></u> | \$ <u><u>35,571</u></u> | \$ <u><u>35,571</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, 2009

| | <u>Agency</u> |
|--|-------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ <u>79,076</u> |
| Total assets | \$ <u><u>79,076</u></u> |
| Net Assets: | |
| Unrestricted | \$ <u>79,076</u> |
| Total net assets | \$ <u><u>79,076</u></u> |

See accompanying notes to the basic financial statements.

**Village of Linndale
Cuyahoga County**

Statement of Net Assets - Cash Basis

December 31, 2008

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ <u>155,674</u> |
| Total assets | <u>155,674</u> |
| Net Assets: | |
| Restricted for: | |
| Capital projects | 46,534 |
| Unrestricted | <u>109,140</u> |
| Total net assets | \$ <u><u>155,674</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, 2008

| | <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 | \$ 337,498 | \$ 7,675 | \$ (329,823) |
| Security of persons and property | 647,476 | 875,236 | 227,760 |
| Leisure time activities | 3,509 | - | (3,509) |
| Community environment | 246 | - | (246) |
| Basic utility services | 18,093 | - | (18,093) |
| Transportation | 12,262 | - | (12,262) |
| Total governmental activities | \$ <u>1,019,084</u> | \$ <u>882,911</u> | <u>(136,173)</u> |
| General Receipts: | | | |
| Property tax levied for: | | | |
| General purpose | | | 6,692 |
| Municipal income taxes | | | 90,950 |
| Grants and entitlements not restricted to specific programs | | | 66,217 |
| Investment earnings | | | 33 |
| Miscellaneous | | | <u>5,915</u> |
| Total general receipts | | | <u>169,807</u> |
| Change in net assets | | | 33,634 |
| Net assets at beginning of year | | | <u>122,040</u> |
| Net assets at end of year | | | \$ <u>155,674</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, 2008

| | <u>General</u> | <u>Tow Fund</u> | <u>Death Benefits Fund</u> | <u>Other Capital Improvements Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|------------------|---------------------|------------------------------------|--|---|---|
| Assets: | | | | | | |
| Equity in pooled cash and cash equivalents | \$ <u>38,292</u> | \$ <u>16,159</u> | \$ <u>19,907</u> | \$ <u>46,534</u> | \$ <u>34,782</u> | \$ <u>155,674</u> |
| Total assets | \$ <u>38,292</u> | \$ <u>16,159</u> | \$ <u>19,907</u> | \$ <u>46,534</u> | \$ <u>34,782</u> | \$ <u>155,674</u> |
| Fund Balance: | | | | | | |
| Unreserved; undesignated: | | | | | | |
| General fund | \$ 38,292 | \$ - | \$ - | \$ - | \$ - | \$ 38,292 |
| Special revenue funds | - | 16,159 | 19,907 | - | 34,782 | 70,848 |
| Capital projects funds | - | - | - | 46,534 | - | 46,534 |
| Total fund balance | \$ <u>38,292</u> | \$ <u>16,159</u> | \$ <u>19,907</u> | \$ <u>46,534</u> | \$ <u>34,782</u> | \$ <u>155,674</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, 2008

| | <u>General</u> | <u>Tow Fund</u> | <u>Death Benefits Fund</u> | <u>Other Capital Improvements Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|------------------|---------------------|------------------------------------|--|---|---|
| Receipts: | | | | | | |
| Property taxes and other local taxes | \$ 99,669 | \$ - | \$ - | \$ - | \$ - | \$ 99,669 |
| State and shared taxes and permits | 5,580 | - | - | - | - | 5,580 |
| Intergovernmental | 8,672 | - | - | - | 50,758 | 59,430 |
| Charges for services | 219,015 | 37,112 | 3,623 | - | 66,683 | 326,433 |
| Fines, licenses, and permits | 530,856 | - | - | 17,436 | 7,366 | 555,658 |
| Earnings on investments | 33 | - | - | - | - | 33 |
| Miscellaneous | 5,915 | - | - | - | - | 5,915 |
| Total receipts | <u>869,740</u> | <u>37,112</u> | <u>3,623</u> | <u>17,436</u> | <u>124,807</u> | <u>1,052,718</u> |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| General government | 306,253 | - | - | - | 31,245 | 337,498 |
| Security of persons and property | 542,172 | 29,016 | - | - | 76,288 | 647,476 |
| Leisure time activities | - | - | - | - | 3,509 | 3,509 |
| Community environment | - | - | - | - | 246 | 246 |
| Basic utility services | 18,093 | - | - | - | - | 18,093 |
| Transportation | 12,262 | - | - | - | - | 12,262 |
| Total disbursements | <u>878,780</u> | <u>29,016</u> | <u>-</u> | <u>-</u> | <u>111,288</u> | <u>1,019,084</u> |
| Excess of receipts over (under) disbursements | <u>(9,040)</u> | <u>8,096</u> | <u>3,623</u> | <u>17,436</u> | <u>13,519</u> | <u>33,634</u> |
| Other financing sources (uses): | | | | | | |
| Advances – in | 500 | - | - | - | 5,500 | 6,000 |
| Transfers – in | 7,801 | - | - | - | 11,000 | 18,801 |
| Advances – out | (5,500) | - | - | - | (500) | (6,000) |
| Transfers – out | (11,000) | - | - | - | (7,801) | (18,801) |
| Total other financing sources (uses) | <u>(8,199)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,199</u> | <u>-</u> |
| Net change in fund balance | (17,239) | 8,096 | 3,623 | 17,436 | 21,718 | 33,634 |
| Fund balance at beginning of year | <u>55,531</u> | <u>8,063</u> | <u>16,284</u> | <u>29,098</u> | <u>13,064</u> | <u>122,040</u> |
| Fund balance at end of year | \$ <u>38,292</u> | \$ <u>16,159</u> | \$ <u>19,907</u> | \$ <u>46,534</u> | \$ <u>34,782</u> | \$ <u>155,674</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, 2008

| | Budgeted Amounts | | | Variance |
|--|--------------------|--------------------|------------------|--|
| | Original | Final | Actual | Final Budget Positive (Negative) |
| Receipts: | | | | |
| Property taxes and other local taxes | \$ 114,391 | \$ 114,391 | \$ 99,669 | \$ (14,722) |
| State and shared taxes and permits | 6,404 | 6,404 | 5,580 | (824) |
| Intergovernmental | 9,953 | 9,953 | 8,672 | (1,281) |
| Charges for services | 251,366 | 251,366 | 219,015 | (32,351) |
| Fines, licenses, and permits | 609,268 | 609,268 | 530,856 | (78,412) |
| Earnings on investments | 38 | 38 | 33 | (5) |
| Miscellaneous | 6,789 | 6,789 | 5,915 | (874) |
| Total receipts | <u>998,209</u> | <u>998,209</u> | <u>869,740</u> | <u>(128,469)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| General government | 410,250 | 410,250 | 306,253 | 103,997 |
| Security of persons and property | 603,000 | 603,000 | 542,172 | 60,828 |
| Public health services | 250 | 250 | - | 250 |
| Basic utility services | 16,500 | 16,500 | 18,093 | (1,593) |
| Transportation | 49,000 | 49,000 | 12,262 | 36,738 |
| Total disbursements | <u>1,079,000</u> | <u>1,079,000</u> | <u>878,780</u> | <u>200,220</u> |
| Excess of receipts over (under) disbursements | <u>(80,791)</u> | <u>(80,791)</u> | <u>(9,040)</u> | <u>71,751</u> |
| Other financing sources (uses): | | | | |
| Advances – in | 500 | 500 | 500 | - |
| Transfers – in | 8,953 | 8,953 | 7,801 | (1,152) |
| Advances – out | (5,500) | (5,500) | (5,500) | - |
| Transfers – out | (11,000) | (11,000) | (11,000) | - |
| Total other financing sources (uses) | <u>(7,047)</u> | <u>(7,047)</u> | <u>(8,199)</u> | <u>(1,152)</u> |
| Net change in fund balance | (87,838) | (87,838) | (17,239) | 70,599 |
| Fund balance beginning of year | <u>55,531</u> | <u>55,531</u> | <u>55,531</u> | <u>-</u> |
| Fund balance end of year | \$ <u>(32,307)</u> | \$ <u>(32,307)</u> | \$ <u>38,292</u> | \$ <u>70,599</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, 2008

| | Budgeted Amounts | | Actual | Variance Final Budget Positive (Negative) |
|--------------------------------|---------------------|---------------------|-------------------------|--|
| | Original | Final | | |
| Receipts: | | | | |
| Charges for services | \$ <u>32,000</u> | \$ <u>32,000</u> | \$ <u>37,112</u> | \$ <u>5,112</u> |
| Disbursements: | | | | |
| Current: | | | | |
| General government | <u>40,000</u> | <u>40,000</u> | <u>29,016</u> | <u>10,984</u> |
| Net change in fund balance | (8,000) | (8,000) | 8,096 | 16,096 |
| Fund balance beginning of year | <u>8,063</u> | <u>8,063</u> | <u>8,063</u> | <u>-</u> |
| Fund balance end of year | \$ <u><u>63</u></u> | \$ <u><u>63</u></u> | \$ <u><u>16,159</u></u> | \$ <u><u>16,096</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
Death Benefits Fund**

For the Year Ended December 31, 2008

| | Budgeted Amounts | | Actual | Variance Final Budget Positive (Negative) |
|--------------------------------|-------------------------|-------------------------|-------------------------|--|
| | Original | Final | | |
| Receipts: | | | | |
| Charges for services | \$ <u>5,000</u> | \$ <u>5,000</u> | \$ <u>3,623</u> | \$ <u>(1,377)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| General government | <u>5,000</u> | <u>5,000</u> | <u>-</u> | <u>5,000</u> |
| Net change in fund balance | - | - | 3,623 | 3,623 |
| Fund balance beginning of year | <u>16,284</u> | <u>16,284</u> | <u>16,284</u> | <u>-</u> |
| Fund balance end of year | \$ <u><u>16,284</u></u> | \$ <u><u>16,284</u></u> | \$ <u><u>19,907</u></u> | \$ <u><u>3,623</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, 2008

| | <u>Agency</u> |
|--|-------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ <u>53,156</u> |
| Total assets | \$ <u><u>53,156</u></u> |
| Net Assets: | |
| Unrestricted | \$ <u>53,156</u> |
| Total net assets | \$ <u><u>53,156</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, 2009 and 2008

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, 2009 and 2008

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.

State Grant Fund – This fund was created to administer a grant from the Ohio Department of Justice Services to the U.S. Marshall's Service which is administered by the Village in support of the Northern Ohio Violent Fugitive Task Force.

Computer Fund – This fund was created by Council for the acquisition and maintenance of legal research software and hardware, technical services, computers and related equipment needed to computerize the court system.

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

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

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

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

Fiduciary Funds 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.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2009 and 2008

Note 2: Summary of Significant Accounting Policies (continued)

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.

The statement of net assets presents the cash balances of the governmental activities of the Village at December 31, 2008 and 2009. 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.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2009 and 2008

Note 2: Summary of Significant Accounting Policies (continued)

H. Net Assets

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

I. Budgetary Process

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

1. Appropriations

For 2008 and 2009, 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. The Village had no encumbrances at the end of December 31, 2008 or 2009.

Note 3: Deposits and Investments

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

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

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

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2009 and 2008

Note 3: Deposits and Investments (continued)

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

1. United States Treasury notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

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

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

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2009 and 2008

Note 3: Deposits and Investments (continued)

Deposits

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

At December 31, 2008 and 2009, the carrying amounts of the Village's deposits were \$208,830 and \$312,965, respectively, and the bank balances were \$186,051 and \$272,379, respectively. Of the bank balances \$186,051 and \$250,000 was covered by Federal depository insurance and \$-0- and \$22,379 was uninsured for 2008 and 2009 respectively. Of the uninsured bank balance, the entire amount was collateralized with securities held by the pledging institution's trust department, not in the Village's name for both 2008 and 2009.

Investments

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

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

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

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

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2009 and 2008

Note 4: Compliance

Contrary to the Ohio Revised Code Section 5705.39, the General Fund had 2008 original and final appropriations in excess of estimated resources plus beginning balance in the amount of \$32,307. The Computer Fund, Parks and Recreation Fund, Flower Fund, and State Grants Fund had 2008 original appropriations and final appropriations in excess of estimated resources plus beginning balances in the amounts of \$999, \$9,587, \$1,000, and \$234,776, respectively.

Contrary to the Ohio Revised Code Section 5705.41(B), the General Fund basic utility services function had expenditures plus encumbrances in excess of final appropriations in the amount of \$1,593 at December 31, 2008.

Contrary to the Ohio Revised Code Section 5705.39, the General Fund had 2009 original and final appropriations in excess of estimated resources plus beginning balance in the amount of \$12,630.

Contrary to the Ohio Revised Code Section 5705.41(B), the General Fund basic utility services function had expenditures plus encumbrances in excess of final appropriations in the amount of \$2,492 at December 31, 2009.

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

Note 5: Property Tax

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

Public utilities are also taxed on personal and real property located within the Village. Public utility tangible personal property is currently assessed at varying percentages of true value; public utility real property is assessed at 34 percent of true value. 2009 public utility property taxes which became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. 2009 tangible personal property taxes are levied after October 1, 2008, on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments are being phased-out. The assessment percent for all property including inventory for 2008 is 6.25 percent and zero for 2009. Payments by multi-county taxpayers are due September 20. Single-county tax payers may pay annually or semi-annually. If paid annually, payment is due April 30, if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2009 and 2008

Note 5: Property Tax (continued)

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village. The assessed values of real property, public utility property, and tangible personal property upon which 2008 and 2009 property tax receipts were based are as follows:

| | <u>2009</u> | <u>2008</u> |
|-----------------------------|---------------------|---------------------|
| Real Property | | |
| Residential/Agriculture | \$ 693,060 | \$ 792,210 |
| Commercial/Industrial/Other | 1,644,550 | 1,643,630 |
| Public Utility Property | | |
| Personal Property | 115,120 | 128,470 |
| Tangible Personal Property | - | 90,500 |
| Total | <u>\$ 2,452,730</u> | <u>\$ 2,654,810</u> |

Note 6: Local Income Tax

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

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

Note 7: Pension Plans

A. Ohio Public Employees Retirement System

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

**Village of Linndale
Cuyahoga County**

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2009 and 2008

Note 7: Pension Plans (continued)

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

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

For the years ended December 31, 2009 and 2008, 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 2009 and 2008 of covered payroll, of which 7 percent in January through March 31 and 5.5 percent from April 1 through December 31 in 2009 and 7.0 percent in 2008 was used to fund health care coverage for retirees. The contribution rate is determined actuarially. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations, excluding the health care portion, to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$24,335, \$22,037 and \$27,757 respectively, equal to the required contributions for each year. The full amount has been contributed for all three years.

B. *Ohio Police and Fire Pension Fund*

The Village contributes to the Ohio Police and Fire Pension Fund (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. Contributions are authorized by state statute. The Village's contributions, excluding the health care portion, for the years ending December 31, 2009, 2008 and 2007 were \$14,540, \$20,847, and \$19,847. 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, 2009 and 2008

Note 8: 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.

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. Employer contribution rates are expressed as a percentage of the covered payroll of active members. The 2009 and 2008 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 Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of the post employment health care benefits. For 2009 and 2008, the employer contribution allocated to the health care plan was 7.0 percent from January 1, through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009 and 7.0 percent of covered payroll, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. 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, 2009, 2008, and 2007 were \$17,509, \$22,037, and \$18,270, 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.

Village of Linndale Cuyahoga County

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2009 and 2008

Note 8: Postemployment Benefits (continued)

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.

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, 2009 and 2008, the employer contribution allocated to health care plan was 6.75 percent and 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.

**Village of Linndale
Cuyahoga County**

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2009 and 2008

Note 8: Postemployment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

The City's contributions to the Pension Fund for police for the years ending December 31, 2009, 2008, and 2007 were \$22,232, \$31,883, and \$30,347, respectively, of which \$7,692, \$11,037, and \$10,500, respectively, was allocated to the healthcare plan. The full amount has been contributed for each year.

Note 9: Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

Note 10: Interfund Activity

The transfers among Village funds were made to provide additional resources for current operations. Transfers made during the year ended December 31, 2008 were as follows:

| | Transfer from | | |
|--------------------------|------------------|--------------------------------|------------------|
| | General | Other Governmental Funds | Total |
| Transfer to | | | |
| General Fund | \$ - | \$ 7,801 | \$ 7,801 |
| Other Governmental Funds | <u>11,000</u> | <u>-</u> | <u>11,000</u> |
| Total | <u>\$ 11,000</u> | <u>\$ 7,801</u> | <u>\$ 18,801</u> |

**Village of Linndale
Cuyahoga County**

Notes to the Basic Financial Statements (continued)

For the Years Ended December 31, 2009 and 2008

Note 10: Interfund Activity (continued)

The advances among Village funds were made to provide additional resources for current operations. Advances made during the year ended December 31, 2008 were as follows:

| | <u>Advance from</u> | | |
|--------------------------|---------------------|---|-----------------|
| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
| <u>Advance to</u> | | | |
| General | \$ - | \$ 500 | \$ 500 |
| Other Governmental Funds | <u>5,500</u> | <u>-</u> | <u>5,500</u> |
| Total | \$ <u>5,500</u> | \$ <u>500</u> | \$ <u>6,000</u> |

The advances among Village funds were made to provide additional resources for current operations. Advances made during the year ended December 31, 2009 were as follows:

| | <u>Advance from</u> | | | | <u>Total</u> |
|-------------------|---------------------|----------------------------------|---------------------|---|-------------------|
| | <u>General</u> | <u>State Grants Fund</u> | <u>Tow Fund</u> | <u>Other Governmental Funds</u> | |
| <u>Advance to</u> | | | | | |
| General | \$ - | \$ 30,000 | \$ - | \$ - | \$ 30,000 |
| State Grants Fund | 25,000 | - | 20,000 | 30,000 | 75,000 |
| Tow Fund | <u>-</u> | <u>20,000</u> | <u>-</u> | <u>-</u> | <u>20,000</u> |
| Total | \$ <u>25,000</u> | \$ <u>50,000</u> | \$ <u>20,000</u> | \$ <u>30,000</u> | \$ <u>125,000</u> |

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 3, 2010, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

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

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
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www.auditor.state.oh.us

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 2009-01 through 2009-06.

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 3, 2010.

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

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

Mary Taylor, CPA
Auditor of State

May 3, 2010

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-01

Noncompliance

Expenditures plus Encumbrances in Excess of Appropriation Authority

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making expenditures unless they have been properly appropriated. On December 31, 2009, the following fund had expenditures plus encumbrances exceeding authorized appropriations at the legal level of control:

| Fund | Appropriations Plus Prior Year Encumbrances | Expenditures Plus Encumbrances | Variance |
|--------------------------------|---|-----------------------------------|-----------|
| General Fund (1000) | | | |
| Other – Basic Utility Services | \$16,500 | \$18,992 | (\$2,492) |

Lack of monitoring the budget could result in additional noncompliance issues.

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

FINDING NUMBER 2009-02

Noncompliance

Appropriations Exceeding Estimated Resources

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

The following funds had year-end appropriations exceeding estimated resources plus the unencumbered balance at the fund level for 2008:

| Fund | Appropriations | Estimated Resources Plus Unencumbered Fund Balance | Variance |
|---------------------------|----------------|--|-----------|
| Parks & Recreation (2041) | \$10,000 | \$413 | (\$9,587) |
| Flower (2042) | 1,000 | 0 | (1,000) |
| State Grants Fund (2061) | 234,776 | 0 | (234,776) |

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER 2009-02

Noncompliance

Appropriations Exceeding Estimated Resources (Continued)

Monitoring annual appropriations is vital for maintaining sound budgetary practices. Not monitoring the estimated resources and unencumbered balance with appropriations could result in funds exceeding the total available fund balance.

We recommend the Village verify that all appropriations do not exceed estimated resources in all legally budgeted funds to maintain compliance with the above requirement.

FINDING NUMBER 2009-03

Noncompliance

Certification of the Fiscal Officer

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by Council.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER 2009-03

Noncompliance

Certification of the Fiscal Officer (Continued)

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

Sixteen out of 37 (43%) for 2009 and nineteen out of 40 (48%) for 2008 of non-payroll purchase order transactions tested were not certified by the fiscal officer (Clerk-Treasurer) at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds could result in overspending funds and deficit cash balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over cash disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the fiscal officer (Clerk-Treasurer) should certify funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer (Clerk-Treasurer) should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer (Clerk-Treasurer) should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2009-04

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.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER 2009-04

Noncompliance

Amended Certificates (Continued)

At December 31, 2009, we noted appropriations exceeded actual available resources in the following funds:

| Fund | Unencumbered Balance | Actual Revenues | Appropriations | Variance |
|---------------------------|---------------------------------|----------------------------|-----------------------|-----------------|
| 1000 General Fund | \$38,292 | \$831,617 | \$1,047,000 | (\$177,091) |
| 2011 SCMR | 0 | 5,784 | 7,000 | (1,216) |
| 2404 Magistrate Fund | 3,614 | 17,283 | 23,500 | (2,603) |
| 4901 Capital Improvements | 46,534 | 20,583 | 90,000 | (22,883) |

At December 31, 2008, we noted appropriations exceeded actual available resources in the following funds:

| Fund | Unencumbered Balance | Actual Revenues | Appropriations | Variance |
|---------------------------|---------------------------------|----------------------------|-----------------------|-----------------|
| 1000 General Fund | \$55,531 | \$878,042 | \$1,090,000 | (\$156,427) |
| 2401 Computer Fund | 3,501 | 18,625 | 31,000 | (8,874) |
| 2403 Jail Fund | 3,301 | 28,546 | 40,000 | (8,153) |
| 2061 State Grants | 0 | 55,758 | 234,776 | (179,018) |
| 4901 Capital Improvements | 29,098 | 17,436 | 90,000 | (43,466) |

This condition could cause 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 at the end of 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.

FINDING NUMBER 2009-05

Finding for Adjustment

Expenditure of 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.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER 2009-05

Finding for Adjustment

Expenditure of Court Computerization Fees (Continued)

These Code provisions state that 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 97-010, 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 2009 and 2008 payment registers for the Court Computer Fund (2401), we noted expenditures that were not related to the computerization of the court. Specifically, we noted expenditures for copier leases, copier usage, and UAN fees. These expenditures totaled \$9,121 and \$7,628 for 2009 and 2008, respectively.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for adjustment for public money illegally expended is hereby issued against the Village's General Fund in the amounts of \$9,121 and \$7,628 for 2009 and 2008, respectively, in favor of the Village's Court Computer Fund. This adjustment has been incorporated into the audit financial statements.

FINDING NUMBER 2009-06

Finding for Adjustment

Other Capital Improvement Fund Expenditures

On April 5, 2005, Council approved Ordinance 2005-14, authorizing the Mayor to increase the court cost by one dollar and for this increase to go to the Capital Improvement Fund. Ordinance 2005-14 stated that "The Village of Linndale is embarking on a major capital improvement project, which includes or will include improvements to the Court premises". The Village established the Other Capital Improvements Fund to account for the additional court cost monies.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER 2009-06

Finding for Adjustment

Other Capital Improvement Fund Expenditures (Continued)

During our review of the Village's 2008 and 2009 payment registers for the Capital Improvement Fund (4901), we noted expenditures that were not related to improvements to the Village's Court house. Specifically, we noted expenditures for legal fees relating to potential development within the Village and property taxes paid on properties acquired by the Village to be used as rental property. These expenditures totaled \$2,739 and \$10,153 for 2009 and 2008, respectively.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for adjustment for public money illegally expended is hereby issued against the Village's General Fund in the amounts of \$2,739 and \$10,153 for 2009 and 2008, respectively, in favor of the Village's Other Capital Improvements Fund. This adjustment has been incorporated into the audit financial statements.

Official's Response:

The Village did not respond to these findings.

**VILLAGE OF LINNDALE
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2007-001 | Ohio Rev. Code Section 5705.41(B) - Expenditures Plus Expenditures in Excess of Appropriation Authority | No | Not Corrected; repeated as Finding Number 2009-01. |
| 2007-002 | Ohio Rev. Code Section 5705.39 – Appropriations Exceeding Estimated Resources | No | Not Corrected; repeated as Finding Number 2009-02. |
| 2007-003 | Ohio Rev. Code Section 5705.41(D) – Certification of Fiscal Officer | No | Not Corrected; repeated as Finding Number 2009-03. |



Mary Taylor, CPA
Auditor of State

VILLAGE OF LINNDALE

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 12, 2010