



**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003



**Auditor of State
Betty Montgomery**

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Fiduciary Fund Type - For the Year Ended December 31, 2004	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Fiduciary Fund Type - For the Year Ended December 31, 2003	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Schedule of Prior Audit Findings	24

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

Village of Bratenahl
Cuyahoga County
411 Bratenahl Road
Bratenahl, Ohio 44108

To the Village Council:

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

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 12, 2005

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Bratenahl
Cuyahoga County
411 Bratenahl Road
Bratenahl, Ohio 44108

To the Village Council:

We have audited the accompanying financial statements of the Village of Bratenahl, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2004 and December 31, 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Bratenahl, Cuyahoga County, Ohio, as of December 31, 2004 and December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 2, the Village restated the beginning fund cash balances of the Special Revenue and Expendable Trust Funds.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 12, 2005

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$1,877,001	\$100,166	\$78,699	\$0	\$2,055,866
Intergovernmental Receipts	252,572	55,546	10,437	0	318,555
Charges for Services	0	17,309	0	0	17,309
Fines, Licenses, and Permits	392,454	21,150	0	0	413,604
Earnings on Investments	11,188	0	0	0	11,188
Miscellaneous	72,765	966	0	0	73,731
Total Cash Receipts	<u>2,605,980</u>	<u>195,137</u>	<u>89,136</u>	<u>0</u>	<u>2,890,253</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,198,650	123,266	0	0	1,321,916
Public Health Services	5,033	0	0	0	5,033
Leisure Time Activities	36,294	17,096	0	0	53,390
Community Environment	19,575	0	0	0	19,575
Basic Utility Services	97,493	18,159	0	0	115,652
Transportation	337,338	40,734	0	0	378,072
General Government	943,478	67,468	0	0	1,010,946
Debt Service:					
Principal Payments	0	0	40,000	241,637	281,637
Interest Payments	0	0	43,581	2,810	46,391
Capital Outlay	260,875	32,000	0	0	292,875
Total Cash Disbursements	<u>2,898,736</u>	<u>298,723</u>	<u>83,581</u>	<u>244,447</u>	<u>3,525,487</u>
Total Receipts Over/(Under) Disbursements	<u>(292,756)</u>	<u>(103,586)</u>	<u>5,555</u>	<u>(244,447)</u>	<u>(635,234)</u>
Other Financing Receipts and (Disbursements):					
Sale of Notes	0	0	0	200,000	200,000
Other Financing Uses	(69,726)	(9,262)	0	0	(78,988)
Transfers-In	0	305,640	6,028	0	311,668
Transfers-Out	(111,668)	(200,000)	0	0	(311,668)
Total Other Financing Receipts/(Disbursements)	<u>(181,394)</u>	<u>96,378</u>	<u>6,028</u>	<u>200,000</u>	<u>121,012</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(474,150)</u>	<u>(7,208)</u>	<u>11,583</u>	<u>(44,447)</u>	<u>(514,222)</u>
Fund Cash Balances, January 1, 2004	<u>692,538</u>	<u>163,250</u>	<u>249,471</u>	<u>160,663</u>	<u>1,265,922</u>
Fund Cash Balances, December 31, 2004	<u>\$218,388</u>	<u>\$156,042</u>	<u>\$261,054</u>	<u>\$116,216</u>	<u>\$751,700</u>
Reserves for Encumbrances, December 31, 2004	<u>\$28,058</u>	<u>\$1,659</u>	<u>\$0</u>	<u>\$0</u>	<u>\$29,717</u>

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

VILLAGE OF BRATENAHL
 CUYAHOGA COUNTY

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

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Non-Operating Cash Receipts:	
Mayor's Court	<u>\$509,887</u>
Total Non-Operating Cash Receipts	<u>509,887</u>
Non-Operating Cash Disbursements:	
Mayor's Court	<u>509,668</u>
Total Non-Operating Cash Disbursements	<u>509,668</u>
Non-Operating Income/(Loss)	<u>219</u>
Fund Cash Balance, January 1, 2004	<u>157,252</u>
Fund Cash Balance, December 31, 2004	<u><u>\$157,471</u></u>

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

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$1,735,475	\$101,401	\$101,807	\$0	\$1,938,683
Intergovernmental Receipts	881,876	43,208	13,946	0	939,030
Charges for Services	0	19,706	0	0	19,706
Fines, Licenses, and Permits	296,068	14,922	0	0	310,990
Earnings on Investments	11,804	0	0	0	11,804
Miscellaneous	63,625	0	0	0	63,625
Total Cash Receipts	<u>2,988,848</u>	<u>179,237</u>	<u>115,753</u>	<u>0</u>	<u>3,283,838</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,160,482	127,992	0	0	1,288,474
Public Health Services	24	0	0	0	24
Leisure Time Activities	119,787	0	0	0	119,787
Community Environment	10,171	0	0	0	10,171
Basic Utility Services	94,138	13,399	0	0	107,537
Transportation	322,604	15,627	0	0	338,231
General Government	1,012,472	32,426	0	0	1,044,898
Debt Service:					
Principal Payments	0	0	40,000	339,838	379,838
Interest Payments	0	0	45,740	5,894	51,634
Capital Outlay	300,673	15,836	0	0	316,509
Total Cash Disbursements	<u>3,020,351</u>	<u>205,280</u>	<u>85,740</u>	<u>345,732</u>	<u>3,657,103</u>
Total Receipts Over/(Under) Disbursements	<u>(31,503)</u>	<u>(26,043)</u>	<u>30,013</u>	<u>(345,732)</u>	<u>(373,265)</u>
Other Financing Receipts and (Disbursements):					
Sale of Notes	0	0	0	200,000	200,000
Other Financing Uses	(41,218)	(36,897)	0	0	(78,115)
Transfers-In	0	108,771	0	306,000	414,771
Transfers-Out	(414,771)	0	0	0	(414,771)
Total Other Financing Receipts/(Disbursements)	<u>(455,989)</u>	<u>71,874</u>	<u>0</u>	<u>506,000</u>	<u>121,885</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(487,492)</u>	<u>45,831</u>	<u>30,013</u>	<u>160,268</u>	<u>(251,380)</u>
Fund Cash Balances, January 1, 2003 (Restated)	<u>1,180,030</u>	<u>117,419</u>	<u>219,458</u>	<u>395</u>	<u>1,517,302</u>
Fund Cash Balances, December 31, 2003	<u>\$692,538</u>	<u>\$163,250</u>	<u>\$249,471</u>	<u>\$160,663</u>	<u>\$1,265,922</u>
Reserves for Encumbrances, December 31, 2003	<u>\$49,199</u>	<u>\$899</u>	<u>\$0</u>	<u>\$0</u>	<u>\$50,098</u>

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

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Non-Operating Cash Receipts:	
Mayor's Court	<u>\$356,864</u>
Total Non-Operating Cash Receipts	<u>356,864</u>
Non-Operating Cash Disbursements:	
Mayor's Court	<u>340,388</u>
Total Non-Operating Cash Disbursements	<u>340,388</u>
Non-Operating Income/(Loss)	<u>16,476</u>
Fund Cash Balance, January 1, 2003 (Restated)	<u>140,776</u>
Fund Cash Balance, December 31, 2003	<u><u>\$157,252</u></u>

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

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Bratenahl, Cuyahoga County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, including road maintenance, park operations (leisure time activities), and police services.

The Village contracts with the City of Cleveland to receive fire protection services.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Parks and Recreation Fund - This fund is used to account for funding received from a recreation property tax levy for maintaining parks and providing recreational services to the Village residents.

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of bond indebtedness and Ohio Public Work loans.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant Capital Project Fund:

Street Reconstruction/Sidewalk Phase 2 - This fund receives transfers, note proceeds, and Ohio Public Work loan proceeds. The proceeds are used for the installation/upgrade of Village sidewalks and roads.

5. Fiduciary Funds (Agency Fund)

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

Agency Fund

Mayor's Court Fund - This fund is used to account for activities for the Village Mayor's Court.

E. Budgetary Process

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

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2004 and 2003 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. RESTATEMENT OF FUND BALANCE

The beginning cash fund balances of the Special Revenue Fund and Expendable Trust Fund were restated due to the reclassification of the Police Disability Pension Fund. The restatements are as follows:

	<u>Special Revenue</u>	<u>Expendable Trust</u>
Fund Cash Balance, January 1, 2003	\$141,649	(\$24,230)
Fund Cash Balance Reclassifications	(24,230)	(24,230)
Restated Fund Cash Balance, January 1, 2003	\$117,419	\$0

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$358,271	\$222,274
Certificates of deposit	550,000	1,200,000
Petty cash	900	900
Total deposits	\$909,171	\$1,423,174

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and December 31, 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,873,275	\$2,605,980	(\$1,267,295)
Special Revenue	444,822	500,777	55,955
Debt Service	205,449	95,164	(110,285)
Capital Projects	3,800	200,000	196,200
Total	\$4,527,346	\$3,401,921	(\$1,125,425)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,899,794	\$3,108,188	\$791,606
Special Revenue	510,000	509,644	356
Debt Service	112,000	83,581	28,419
Capital Projects	203,800	244,447	(40,647)
Total	\$4,725,594	\$3,945,860	\$779,734

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,320,410	\$2,988,848	\$668,438
Special Revenue	292,157	288,008	(4,149)
Debt Service	116,034	115,753	(281)
Capital Projects	307,125	506,000	198,875
Total	\$3,035,726	\$3,898,609	\$862,883

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,551,933	\$3,525,539	\$26,394
Special Revenue	468,775	243,076	225,699
Debt Service	112,000	85,740	26,260
Capital Projects	309,663	345,732	(36,069)
Total	\$4,442,371	\$4,200,087	\$242,284

Contrary to Ohio law, the Village did not properly certify the availability of funds.

Contrary to Ohio law, the Village had cash deficit balances of \$23,258 and \$22,323 in its Police Disability Pension Fund, a Special Revenue Fund, as of December 31, 2004 and December 31, 2003, respectively.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority as of December 31, 2004 for the Law Enforcement, Police Disability Pension, Sewer Operating and the Street Reconstruction/Sidewalk Phase II Funds by \$99,844, \$100,000, \$3,693 and \$40,647, respectively. In addition, budgetary expenditures exceeded appropriation authority as of December 31, 2003 for the Police Disability Pension and Street Reconstruction/Sidewalk Phase II Funds by \$2,034 and \$36,069, respectively.

Contrary to Ohio law, the Village made the following transfer of funds during 2004 without a resolution of Village Council: General Fund to the Police Disability Pension Fund for \$100,000; Law Enforcement Fund to the Police Disability Pension Fund for \$100,000; and Police Disability Pension Fund to the Law Enforcement Fund for \$100,000. During 2003, the Village made the following transfer of funds without a resolution of Village Council: General Fund to the Street Reconstruction/Sidewalk Phase II Fund for \$306,000.

The Village did not report the proper unencumbered cash balances to the County Budget Commission on their Original Certificate of Estimated Resources. Had the proper balances been reported, appropriations would have exceeded total estimated resources which is contrary to Ohio law.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 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's tax collection agent, the Central Collection Agency, City of Cleveland, monthly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Work Commission Loans	\$692,245	0.00%
General Obligation Bonds - Lakeshore Boulevard Improvements	720,000	5.4% to 5.8%
Street Improvement Note Series 2004	<u>200,000</u>	2.60%
Total	<u><u>\$1,612,245</u></u>	

The proceeds of the General Obligation Lakeshore Boulevard Improvement Bonds, issued in 1996, were used for the purpose of improving Lakeshore Boulevard and Bratenahl Road. The proceeds from the \$200,000 Street Improvement Notes, Series 2004, and the proceeds from the OPWC - Water Main and Street Replacement Program Loans were used for replacement of pavement, curbs, sidewalks, aprons and water lines. The bond is being paid from the Debt Service Fund and the Street Improvement Notes and OPWC Loans are being paid from the Sidewalk Phase 2 Capital Projects Fund. All bonded debt will be repaid using voted millage. Note and OPWC loans debt will be repaid using general operating revenues of the Village. The General Obligation Bond is collateralized by the Village's taxing authority.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. DEBT (Continued)

Amortization of the above debt, including interest, follows:

	OPWC Loans	General Obligation Bonds
Year ending December 31:		
2005	41,637	85,890
2006	41,637	83,460
2007	41,637	86,030
2008	41,637	83,330
2009	41,637	85,630
2010-2014	208,185	423,830
2015-2019	208,185	168,806
2020-2023	67,690	0
Total	692,245	1,016,976

8. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Law enforcement liability; and
- Blanket employee dishonesty.

The Village also provides health insurance, life insurance, dental and vision coverage to full-time employees through a private carrier.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

10. CONTINGENT LIABILITIES

The Village is defending several workers' compensation claims, each of which the Village believes will be covered by the State of Ohio's Workers' Compensation Fund. Although management cannot presently determine the outcome of these claims, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

11. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2004 or 2003. Financial information can be obtained by contacting NOPEC, 1615 Clark Avenue, Cleveland, Ohio 44109.



**Auditor of State
Betty Montgomery**

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

Village of Bratenahl
Cuyahoga County
411 Bratenahl Road
Bratenahl, Ohio 44108

To the Village Council:

We have audited the financial statements of the Village of Bratenahl, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated August 12, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. In addition, the Village restated the beginning fund cash balances of the Special Revenue and Expendable Trust Funds. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-005 through 2004-006.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Village's management dated August 12, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-004. In a separate letter to the Village's management dated August 12, 2005, we reported another matter related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

August 12, 2005

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER	2004-001
----------------	----------

Ohio Rev. Code § 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 that 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 that the contract or order was made ("then"), and at the time that 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, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) 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 the Village.

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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.

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

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

(Continued)

Finding Number

2004-001

(Continued)

Eighty-three percent of the transactions tested from 2004 and ninety-two percent of the transactions tested from 2003 were not certified by the Clerk-Treasurer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund 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 disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the 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.

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

Finding Number

2004-002

Ohio Rev. Code § 5705.10 provides, in part, that monies paid into any fund shall be used only for the purposes for which such fund was established.

The Police Disability Pension Fund had negative cash fund balances of \$23,258 and \$22,323 as of December 31, 2004 and December 31, 2003 respectively, indicating that money from one fund was used to cover the expenses of another fund, and consequently, that money paid into a fund was not used for the purposes for which the fund had been established.

This weakness could cause a loss of accountability over the financial activity of the Village including cash disbursements, budgeting and financial reporting. In addition, the negative cash fund balances could put a financial burden on the Village if not adequately monitored and/or corrected on a timely basis.

We recommend the Village review cash fund balances on a monthly basis to determine if any negative balances exist. If a negative balance occurs, the Village should advance money to that fund from the General Fund.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

Finding Number	2004-003
-----------------------	-----------------

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making expenditures unless they have been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Village Council may not exceed appropriations at the legal level for all funds. The following funds had expenditures plus encumbrances in excess of appropriations:

As of December 31, 2004, the following funds had total expenditures in excess of the amount appropriated:

	<u>Total Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds:			
Law Enforcement	\$104,344	\$4,500	\$99,844
Police Disability Pension	225,000	125,000	100,000
Sewer Operating	3,693	0	3,693
Capital Project Fund:			
Street Reconstruction/Sidewalk Phase II	244,447	203,800	40,647

As of December 31, 2003, the following funds had total expenditures in excess of the amount appropriated:

	<u>Total Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Fund:			
Police Disability Pension	\$127,034	\$125,000	\$2,034
Capital Project Fund:			
Street Reconstruction/Sidewalk Phase II	345,732	309,663	36,069

We recommend the Village verify that all expenditures have proper appropriation authority prior to expending funds and compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, to maintain compliance with the above requirements.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

(Continued)

Finding Number	2004-004
-----------------------	-----------------

Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable inter-fund transfers. In certain circumstances, which are detailed in Ohio Revised Code Section 5705.14, transfers from funds other than the General Fund may be made by resolution of the taxing authority, passed with a two-thirds affirmative vote. Ohio Revised Code Section 5705.14 indicates that before an interfund cash transfer can be made from the General Fund, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the governing board. See also, 1989 Ohio Attorney General Opinion Number 89-075 (Ohio Revised Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds). In addition to the transfers listed above, which are authorized in Ohio Revised Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and of the Court of Common Pleas, may transfer from one fund to another any public funds under its supervision, with certain exceptions, which are detailed in Ohio Revised Code Section 5705.15.

The Village made the following transfers of funds during 2004 without a resolution of Village Council: General Fund to the Police Disability Pension Fund for \$100,000; Law Enforcement Fund to the Police Disability Pension Fund for \$100,000; and Police Disability Pension Fund to the Law Enforcement Fund for \$100,000. During 2003, the Village made the following transfer of funds without a resolution of Village Council: General Fund to the Street Reconstruction/Sidewalk Phase II Fund for \$306,000. Although these transfers were not approved by a resolution of the Village Council, they were included in the monthly reports provided to Council, which are approved. Therefore, the above noted transfers are included in the financial statements.

We recommend that all interfund cash transfers be approved through a resolution of the Village Council prior to their occurrence to ensure compliance with the Ohio Revised Code. In addition, approval of individual transfers is a good accounting practice and provides an audit trail to support the amounts transferred.

Finding Number	2004-005
-----------------------	-----------------

The Village misclassified and misposted tax receipts, intergovernmental receipts, debt payments and various other receipts and expenditures to the Village revenue and expenditure ledgers and to the annual financial reports submitted to the Auditor of State for Fiscal Years 2004 & 2003. Additionally, the Village did not include the Mayor's Court activity on their annual financial reports. These errors and practices resulted in several audit adjustments and inaccurate receipt, expenditures and monthly cash fund balances submitted to Council and the State of Ohio.

We recommend the Village take the necessary steps to ensure that all receipts and expenditures are accounted for and are properly classified when recorded in the Village's ledgers and on the annual financial reports submitted to the Auditor of State. Additionally, the Court receipt and expenditure activity should be recorded as an Agency Fund on the annual financial report.

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

(Continued)

Finding Number	2004-006
-----------------------	-----------------

Unencumbered Cash Balances

During our review of the Village's Certificates of Estimated Resources for 2003 and 2004, we noted that the beginning unencumbered cash balances of the General, Bond Retirement, and Street Construction/Sidewalk Phase II Funds, as reported to the County Budget Commission on the Village's Original Certificate of Estimated Resources, did not agree with the prior year unencumbered balances noted in the Village's general ledger. If the Village had reported the proper unencumbered cash balances, appropriations would have exceeded total estimated resources in these funds, which is a violation of Ohio Revised Code Section 5705.39.

We recommend the Village provide the County Budget Commission with accurate beginning unencumbered cash balances which are supported by their general ledger.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Ohio Revised Code Section 117.28, Prohibits the Village from paying sales tax.	Yes	
2002-002	Ohio Revised Code Section 5705.41(D), Failure to certify funds	No	Not Corrected - Reissued as 2004-001
2002-003	Ohio Revised Code Section 5705.10, Negative Fund Balances	No	Not Corrected - Reissued as 2004-002
2002-004	Ohio Revised Code Section 5705.39, Appropriations Exceeding Total Estimated Resources	Yes	
2002-005	Ohio Revised Code Section 5705.41 (B), Expenditures Exceeding Appropriations	No	Not Corrected – Reissued as 2004-003
2002-006	The Village did not maintain an appropriation ledger.	Yes	
2002-007	The Village misposted various receipts and expenditures.	No	Not Corrected – Reissued as 2004-005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 13, 2005**