



Dave Yost • Auditor of State

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Bratenahl, Cuyahoga County, (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Bratenahl, Cuyahoga County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

January 27, 2014

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,023,522	\$158,099	\$80,545		\$1,262,166
Municipal Income Tax	1,560,942				1,560,942
Intergovernmental	399,456	84,308	13,161		496,925
Charges for Services		24,428			24,428
Fines, Licenses and Permits	497,397	53,886			551,283
Earnings on Investments	4,184	14			4,199
Miscellaneous	20,060	35,856			55,916
<i>Total Cash Receipts</i>	<u>3,505,561</u>	<u>356,592</u>	<u>93,706</u>	<u>0</u>	<u>3,955,859</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,645,924	18,377			1,664,301
Public Health Services	3,683				3,683
Leisure Time Activities	4,950	84,523			89,473
Community Environment	55,882				55,882
Transportation	424,315	76,424			500,739
General Government	755,363	71,577			826,940
Capital Outlay	55,512	19,780			75,292
Debt Service:					
Principal Retirement			65,000	829,819	894,819
Interest and Fiscal Charges			21,680	10,160	31,840
<i>Total Cash Disbursements</i>	<u>2,945,629</u>	<u>270,680</u>	<u>86,680</u>	<u>839,979</u>	<u>4,142,969</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>559,931</u>	<u>85,912</u>	<u>7,026</u>	<u>(839,979)</u>	<u>(187,110)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes				750,000	750,000
Transfers In				110,429	110,429
Transfers Out	(110,429)				(110,429)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(110,429)</u>	<u>0</u>	<u>0</u>	<u>860,429</u>	<u>750,000</u>
<i>Net Change in Fund Cash Balances</i>	449,502	85,912	7,026	20,450	562,890
<i>Fund Cash Balances, January 1</i>	<u>463,404</u>	<u>215,304</u>	<u>324,347</u>	<u>444</u>	<u>1,003,499</u>
Fund Cash Balances, December 31					
Restricted	0	301,216	331,373	20,894	653,483
Unassigned (Deficit)	912,906	0	0	0	912,906
<i>Fund Cash Balances, December 31</i>	<u>\$912,906</u>	<u>\$301,216</u>	<u>\$331,373</u>	<u>\$20,894</u>	<u>\$1,566,389</u>

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

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipts	
Mayor's Court	<u>\$722,760</u>
<i>Total Operating Cash Receipts</i>	<u>722,760</u>
Operating Cash Disbursements	
Mayor's Court	<u>715,919</u>
<i>Total Operating Cash Disbursements</i>	<u>715,919</u>
<i>Net Change in Fund Cash Balances</i>	6,841
<i>Fund Cash Balances, January 1</i>	<u>172,955</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$179,796</u></u>

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

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,072,992	\$142,444	\$79,321		\$1,294,757
Municipal Income Tax	1,165,609				1,165,609
Intergovernmental	372,165	116,950	13,285		502,400
Charges for Services		25,736			25,736
Fines, Licenses and Permits	398,759	19,265			418,024
Earnings on Investments	683	27			710
Miscellaneous	11,388	73,597			84,985
<i>Total Cash Receipts</i>	<u>3,021,596</u>	<u>378,019</u>	<u>92,606</u>	<u>0</u>	<u>3,492,221</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,610,103	88,572			1,698,675
Public Health Services	6,795				6,795
Leisure Time Activities	1,541	82,374			83,915
Community Environment	90,043				90,043
Transportation	405,751	34,869			440,620
General Government	731,027	100,881			831,908
Capital Outlay	17,833	7,951			25,784
Debt Service:					
Principal Retirement			60,000	947,138	1,007,138
Interest and Fiscal Charges			25,055	21,868	46,923
<i>Total Cash Disbursements</i>	<u>2,863,093</u>	<u>314,647</u>	<u>85,055</u>	<u>969,006</u>	<u>4,231,801</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>158,503</u>	<u>63,372</u>	<u>7,551</u>	<u>(969,006)</u>	<u>(739,580)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes				809,000	809,000
Transfers In				151,333	151,333
Transfers Out	(151,333)				(151,333)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(151,333)</u>	<u>0</u>	<u>0</u>	<u>960,333</u>	<u>809,000</u>
<i>Net Change in Fund Cash Balances</i>	7,170	63,372	7,551	(8,673)	69,420
<i>Fund Cash Balances, January 1</i>	<u>456,234</u>	<u>151,932</u>	<u>316,796</u>	<u>9,117</u>	<u>934,079</u>
Fund Cash Balances, December 31					
Restricted	0	215,304	324,347	444	540,095
Unassigned (Deficit)	463,404	0	0	0	463,404
<i>Fund Cash Balances, December 31</i>	<u>\$463,404</u>	<u>\$215,304</u>	<u>\$324,347</u>	<u>\$444</u>	<u>\$1,003,499</u>

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

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipts	
Mayor's Court	<u>\$583,620</u>
<i>Total Operating Cash Receipts</i>	<u>583,620</u>
Operating Cash Disbursements	
Mayor's Court	584,230
Other	<u>15,000</u>
<i>Total Operating Cash Disbursements</i>	<u>599,230</u>
<i>Net Change in Fund Cash Balances</i>	(15,610)
<i>Fund Cash Balances, January 1</i>	<u>188,565</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$172,955</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, 2012 AND 2011**

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 directs 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. Accounting Basis

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. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

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

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

General Obligation Fund – This fund is used to pay general obligations of the Village.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Eddy Road Project Fund – This fund receives proceeds of notes. The proceeds are being used to make various improvements to Eddy Road.

Greenspace Fund – This fund receives proceeds of notes and grants. The proceeds are being used to acquire real property for conservation purposes.

5. Fiduciary Funds (Agency Fund)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the activities of the Mayor's Court, the Private Way Fund, and the Juvenile Diversion Fund.

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

For fiscal year 2011, the Village has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of this Statement did not require any fund balance restatements.

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

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2012	2011
Demand deposits	\$989,008	\$671,744
Certificates of deposit	757,177	504,710
Total deposits	1,746,185	1,176,454

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

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and December 31, 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,764,579	\$3,505,561	\$740,982
Special Revenue	292,410	356,592	64,182
Debt Service	322,059	93,706	(228,353)
Capital Projects	860,429	860,429	0
Total	\$4,239,477	\$4,816,288	\$576,811

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,247,077	\$3,056,059	\$191,018
Special Revenue	445,088	270,680	174,408
Debt Service	234,887	86,680	148,207
Capital Projects	864,700	839,979	24,721
Total	\$4,791,752	\$4,253,398	\$538,354

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,570,316	\$3,021,596	\$451,280
Special Revenue	264,945	378,019	113,074
Debt Service	87,051	92,606	5,555
Capital Projects	964,269	960,333	(3,936)
Total	\$3,886,581	\$4,452,554	\$565,973

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,168,304	\$3,014,426	\$153,878
Special Revenue	333,045	314,647	18,398
Debt Service	227,051	85,055	141,996
Capital Projects	969,351	969,006	345
Total	\$4,697,751	\$4,383,134	\$314,617

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Property Tax

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

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

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

5. 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 either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$295,000	5%
General Obligation Notes	750,000	1%
Ohio Public Works Commission Loans	<u>379,054</u>	0%
Total	<u><u>\$1,424,054</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 Eddy Road Improvement Notes and the OPWC – Water Main and Street Replacement Program Loans were used for the replacement of pavement, curbs, sidewalks, aprons, and waterlines. The proceeds from the Greenspace Acquisition Notes were used to acquire real property for conservation purposes.

The Bond is being paid from the General Obligation Fund and the OPWC loan is being paid from the Capital Projects Fund. The Eddy Road Improvement and Greenspace Notes are paid from their respective restricted Capital Projects Funds. All bonded debt is repaid using voted millage. Notes and OPWC loans are repaid using general operating revenues of the Village. All notes are due within one year.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

Year ending December 31:	OWDA Loan	General Obligation Bonds
2013	\$41,638	\$87,331
2014	41,638	83,219
2015	41,638	84,106
2016	41,638	84,700
2017	41,638	0
2018-2021	170,864	0
Total	<u>\$379,054</u>	<u>\$339,356</u>

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2012, OP&F participants contributed 10% of their wages. For 2011 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public Official dishonesty
- Fireworks and
- Vehicles

9. Contingent Liabilities

From time to time the Village is a defendant in one or more lawsuits. Management believes that it is adequately insured for any unasserted claims and assessments.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

10. Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 126 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 on the board 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 2011 or 2012. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139, or at the website www.nopecinfo.org.

11. Subsequent Events

In January, 2013, the Village repaid \$300,000 of its \$750,000 outstanding notes payable, and issued new notes in the amount of \$450,000.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Bratenahl, Cuyahoga County, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated January 27, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and in 2011 implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 27, 2014

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 & 2011

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

1. Proper Encumbering

<i>Finding Number</i>	2012-001
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NONCOMPLIANCE

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 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 District 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 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. 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, 2012 & 2011

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

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 Village Clerk 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.

During our testing of expenditures, we noted 6 of 28 (21%) of disbursements selected for testing in which transactions were not certified by the Fiscal officer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions.. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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.

Official's Response: We agree with this finding. It was corrected at the beginning of 2013.

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 & 2011

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

2. Sound Financial Reporting

<i>Finding Number</i>	2012-002
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MATERIAL WEAKNESS

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

We noted the following deficiencies during our audit of the Village records and annual financial statements initially submitted through the UAN system for fiscal years 2012 and 2011:

- The Village Mayor's Court activity was not recorded in the UAN system;
- The Private Way Fund was recorded as a special revenue fund rather than an agency fund; and
- The Village accounting data and financial statements initially submitted through the UAN system included numerous accounting errors which resulted in unreconciled differences of \$7,503 (bank over book) and \$111,328 (book over bank) for 2012 and 2011, respectively.

The current Village Clerk made subsequent adjustments to the financial statements and where applicable the accounting records to reconcile their UAN system to their depository accounts and fairly state their financial statements.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Village Council adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increasing the reliability of the financial data throughout the year.

Official's Response: We agree with this finding for 2011-2012. With regard to the Mayor's Court activity, we are actively seeking to address this. We plan on correcting this in time for the submission of 2013 financial information to the Auditor of State. With regard to the Private Way Fund, during 2013 this was reclassified by ordinance as an agency fund. With regard to the submission of financial information through the UAN, we now have policies and procedures in place to address this issue. There is no difference between book and bank as of December 31, 2013; therefore, the UAN submission will be correct.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Sound Financial Reporting	No	Partially corrected and repeated as 2012-002
2010-02	Single Audit Requirements	Yes	No longer valid.



Dave Yost • Auditor of State

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
FEBRUARY 6, 2014