



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

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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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Bratenahl, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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 such 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 opinions.

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2018 and 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Bratenahl, Cuyahoga County, Ohio as of December 31, 2018 and 2017, 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 2.

Emphasis of Matter

As disclosed in Note 3, the Village's General Fund has a \$283,141 deficit fund balance as of December 31, 2018. Note 3 also describes management's plans to mitigate this matter. 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 March 31, 2020, 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.

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

Keith Faber
Auditor of State
Columbus, Ohio

March 31, 2020

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Village of Bratenahl, Ohio
Cuyahoga County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,189,463	\$142,164			\$1,331,627
Municipal Income Tax	1,546,960				1,546,960
Intergovernmental	191,012	79,037			270,049
Charges for Services		31,169			31,169
Fines, Licenses and Permits	476,124	17,130			493,254
Earnings on Investments	11,469		\$33,562		45,031
Miscellaneous	76,935	2,120			79,055
<i>Total Cash Receipts</i>	<u>3,491,963</u>	<u>271,620</u>	<u>33,562</u>		<u>3,797,145</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,139,145	51,926			2,191,071
Leisure Time Activities	10,283	55,951			66,234
Community Environment	66,108				66,108
Transportation	542,224	46,116			588,340
General Government	1,275,429	92,904			1,368,333
Capital Outlay	1,908	877		\$1,752,743	1,755,528
Debt Service:					
Principal Retirement			2,000,000	334,597	2,334,597
Interest and Fiscal Charges			42,000	6,593	48,593
<i>Total Cash Disbursements</i>	<u>4,035,097</u>	<u>247,774</u>	<u>2,042,000</u>	<u>2,093,933</u>	<u>8,418,804</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(543,134)</u>	<u>23,846</u>	<u>(2,008,438)</u>	<u>(2,093,933)</u>	<u>(4,621,659)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes			2,013,072		2,013,072
Transfers In				20,998	20,998
Transfers Out	(20,998)				(20,998)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(20,998)</u>		<u>2,013,072</u>	<u>20,998</u>	<u>2,013,072</u>
<i>Net Change in Fund Cash Balances</i>	<u>(564,132)</u>	<u>23,846</u>	<u>4,634</u>	<u>(2,072,935)</u>	<u>(2,608,587)</u>
<i>Fund Cash Balances, January 1</i>	<u>280,991</u>	<u>449,001</u>	<u>22,246</u>	<u>2,853,766</u>	<u>3,606,004</u>
Fund Cash Balances, December 31					
Restricted		430,853	26,880	48,908	506,641
Committed		41,994		731,923	773,917
Unassigned (Deficit)	(283,141)				(283,141)
<i>Fund Cash Balances, December 31</i>	<u>(\$283,141)</u>	<u>\$472,847</u>	<u>\$26,880</u>	<u>\$780,831</u>	<u>\$997,417</u>

See accompanying notes to the basic financial statements

Village of Bratenahl, Ohio
Cuyahoga County

*Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2018*

	<u>Agency</u>
Cash Receipts	
Fines, Licenses and Permits	\$616,913
Cash Disbursements	
Other	<u>623,981</u>
<i>Operating Loss</i>	(7,068)
Other Financing Sources	<u>1,770</u>
<i>Net Change in Fund Cash Balance</i>	(5,298)
<i>Fund Cash Balance, January 1</i>	<u>269,716</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$264,418</u></u>

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

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Bratenahl, Cuyahoga County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides police services, a service department, Mayor's court, and a community center. In addition, the Village contracts for dispatching with the Chagrin Valley Dispatch Council of Governments and with the City of Cleveland for Fire and Emergency Medical Services. Local income taxes are collected by the Cleveland Central Collection Agency.

Jointly Governed Organizations

The Village participates in Northeast Ohio Public Energy Council (NOPEC) and the Chagrin Valley Dispatch Council of Governments. Note 12 to the financial statements describes these entities.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balance (cash basis) for its fiduciary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Parks and Recreation Fund – This fund is used to account for funding received from the recreation property levy (1.5 mils) for maintaining parks, a community center and providing recreation services to Village residents.

Street Construction, Maintenance and Repair – This fund receives intergovernmental revenues collected by the State of Ohio from gasoline tax and motor vehicle license registration. These funds are used for constructing, maintaining and repairing road and streets located in the Village.

Court Computer Fund – This fund is used to account for court costs paid by defendants related to the computerization and technological upgrade of the Mayor's Court.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies – (Continued)

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

General Bond/Note Obligation Fund – This fund receives transfers and debt proceeds which are used to service bond and note issuances.

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 – This fund receives proceeds from note sales to perform necessary repairs to Eddy Road portion located in the Village.

Greenspace Project – This fund receives proceeds from note sales to acquire real property located in the Village for conservation purposes.

Other Capital Projects – This fund receives money from an interest free loan from the Department of Public Works Commission which is used for Village road projects.

Capital Project Reserve Fund – This fund receives money from the General Fund for purposes of paying towards various capital project expenditures.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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 Juvenile Diversion Fund, Private Way Fund, and Mayor's Court and Bail Bonds Funds.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies – (Continued)

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund-function-object level of control for the General Fund and fund level for other funds and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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 2018 budgetary activity appears in Note 4.

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 utilizes UBS to manage the investments which are primarily certificates of deposits reported at cost.

Capital Assets

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

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.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies – (Continued)

Fund Balance

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:

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

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.

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.

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.

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.

Note 3 – Compliance

Contrary to Ohio Revised Code §5705.10(I) at December 31, 2018 the General Fund has a \$283,141 deficit fund balance indicating cash from other funds was used to cover General Fund disbursements.

Management will monitor the timing of receipts and expenditures, as well as closely monitor appropriations to prevent future violations.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,720,282	\$3,491,963	(\$228,319)
Special Revenue	265,669	271,620	5,951
Debt Service	2,050,001	2,046,634	(3,367)
Capital Projects	20,999	20,998	(1)
Total	\$6,056,951	\$5,831,215	(\$225,736)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,260,184	\$4,180,441	\$79,743
Special Revenue	396,752	297,757	98,995
Debt Service	2,049,000	2,042,000	7,000
Capital Projects	2,130,949	2,181,877	(50,928)
Total	\$8,836,885	\$8,702,075	\$134,810

Note 5 – Deposits and Investments

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

Demand deposits	2018 \$254,904
Certificates of deposit	956,588
Total deposits	1,211,492
Municipal bonds	50,343
Total deposits and investments	\$1,261,835

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral Systems (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

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.

Note 7 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public Office dishonesty;
- Vehicles;
- Fireworks and;
- Errors and omissions.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages respectively. The Village has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
G.O Note for Service Garage	\$2,000,000	3%
DOPWIC Loan	129,209	0%
Total	\$2,129,209	

The Village rolled over \$2,000,000 to a new note issue for the Service Garage in 2018.

The Village paid off \$293,000 in principal on two notes, one for the Eddy Road Project (\$211,000) and the other for the Green Space Project (\$82,000).

The Village has interest free loans from the State of Ohio Department of Public Works Commission, for various water main replacements and street repairs.

Amortization

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

Year Ending December 31:	DOPWIC	G.O Note for Service Garage
2019	\$34,352	\$2,060,000
2020	27,102	
2021	27,102	
2022	27,102	
2023	13,551	
Total	\$129,209	\$2,060,000

Note 11 – Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village’s financial condition.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 12 – Jointly Governed Organizations

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 200 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.

In addition, the Village has joined the Chagrin Valley Dispatch, a regional council of governments formed under Chapter 167 of the Ohio Revised Code in order to provide the Village with dispatching services.

Note 13 – Subsequent Events

In 2019, Village Council placed a local income tax rate increase on the May 7, 2019 ballot for eligible voters in the Village to consider amending the tax rate from 1.5% to 2%. Village Council also reduced the tax credit from 0.50% to 0.25%, effective February 1, 2019 and then rescinded this reduction in legislation passed at the May 2019 meeting.

In 2019, Village Council approved the issuance and sale of bonds not to exceed \$400,000 for the purpose of paying the cost of improving Lakeshore Boulevard. In addition to that, Village Council approved the issuance and sale of bonds not to exceed \$2,000,000 for the purpose of paying the cost of constructing, reconstructing, rehabilitating, and equipping the Village Service Garage and Salt Storage Shed and related facilities.

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Village of Bratenahl, Ohio
Cuyahoga County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$968,536	\$135,565			\$1,104,101
Municipal Income Tax	2,194,471				2,194,471
Intergovernmental	183,656	80,460			264,116
Charges for Services		35,010			35,010
Fines, Licenses and Permits	523,084	24,735			547,819
Earnings on Investments	28,774		\$3,301		32,075
Miscellaneous	114,866	2,010			116,876
<i>Total Cash Receipts</i>	<u>4,013,387</u>	<u>277,780</u>	<u>3,301</u>		<u>4,294,468</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,064,811	61,278			2,126,089
Public Health Services	4,692				4,692
Leisure Time Activities	8,272	53,658			61,930
Community Environment	50,791				50,791
Transportation	447,519	11,729			459,248
General Government	1,203,401	82,803			1,286,204
Capital Outlay	2,397	1,445		\$540,165	544,007
Debt Service:					
Principal Retirement				381,598	381,598
Interest and Fiscal Charges				5,610	5,610
<i>Total Cash Disbursements</i>	<u>3,781,883</u>	<u>210,913</u>		<u>927,373</u>	<u>4,920,169</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>231,504</u>	<u>66,867</u>	<u>3,301</u>	<u>(927,373)</u>	<u>(625,701)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes				2,399,663	2,399,663
Transfers In	65,372			94,246	159,618
Transfers Out	(94,246)				(94,246)
Other Financing Uses	(58,557)				(58,557)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(87,431)</u>			<u>2,493,909</u>	<u>2,406,478</u>
<i>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements</i>	<u>144,073</u>	<u>66,867</u>	<u>3,301</u>	<u>1,566,536</u>	<u>1,780,777</u>
<i>Fund Cash Balances, January 1</i>	<u>136,918</u>	<u>382,134</u>	<u>18,945</u>	<u>1,287,230</u>	<u>1,825,227</u>
Fund Cash Balances, December 31					
Restricted		411,082	22,246	1,935,598	2,368,926
Committed		37,919		918,168	956,087
Assigned	280,991				280,991
<i>Fund Cash Balances, December 31</i>	<u>\$280,991</u>	<u>\$449,001</u>	<u>\$22,246</u>	<u>\$2,853,766</u>	<u>\$3,606,004</u>

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

Village of Bratenahl, Ohio
Cuyahoga County

*Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2017*

	<u>Agency</u>
Cash Receipts	
Fines, Licenses and Permits	\$945,710
Cash Disbursements	
Other	<u>872,474</u>
<i>Operating Income</i>	73,236
Transfers Out	<u>(65,372)</u>
<i>Net Change in Fund Cash Balance</i>	7,864
<i>Fund Cash Balance, January 1</i>	<u>261,852</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$269,716</u></u>

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

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Bratenahl, Cuyahoga County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides police services, a service department, Mayor's court, and a community center. In addition, the Village contracts for dispatching with the Chagrin Valley Dispatch Council of Governments and with the City of Cleveland for Fire and Emergency Medical Services. Local income taxes are collected by the Cleveland Central Collection Agency.

Jointly Governed Organizations

The Village participates in Northeast Ohio Public Energy Council (NOPEC) and the Chagrin Valley Dispatch Council of Governments. Note 11 to the financial statements describes these entities.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balance (cash basis) for its fiduciary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Parks and Recreation Fund – This fund is used to account for funding received from the recreation property levy (1.5 mils) for maintaining parks, a community center and providing recreation services to Village residents.

Street Construction, Maintenance and Repair – This fund receives intergovernmental revenues collected by the State of Ohio from gasoline tax and motor vehicle license registration. These funds are used for constructing, maintaining and repairing road and streets located in the Village.

Court Computer Fund – This fund is used to account for court costs paid by defendants related to the computerization and technological upgrade of the Mayor's Court.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

General Bond/Note Obligation Fund – This fund receives transfers and debt proceeds which are used to service bond and note issuances.

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 – This fund receives proceeds from note sales to perform necessary repairs to Eddy Road portion located in the Village.

Greenspace Project – This fund receives proceeds from note sales to acquire real property located in the Village for conservation purposes.

Other Capital Projects – This fund receives money from an interest free loan from the Department of Public Works Commission which is used for Village road projects.

Capital Project Reserve Fund – This fund receives money from the General Fund for purposes of paying towards various capital project expenditures.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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 Juvenile Diversion Fund, Private Way Fund, and Mayor's Court and Bail Bonds Funds.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund-function-object level of control for the General Fund and fund level for other funds and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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 2017 budgetary activity appears in Note 3.

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 utilizes UBS to manage the investments which are primarily certificates of deposits reported at cost.

Capital Assets

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

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.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

Fund Balance

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:

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

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.

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.

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.

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.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,501,496	\$4,078,759	(\$422,737)
Special Revenue	260,370	277,780	17,410
Debt Service	9,871	3,301	(6,570)
Capital Projects	2,194,245	2,493,909	299,664
Total	\$6,965,982	\$6,853,749	(\$112,233)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,383,107	\$4,088,377	\$294,730
Special Revenue	330,998	242,641	88,357
Debt Service	7,500	0	7,500
Capital Projects	993,473	987,208	6,265
Total	\$5,715,078	\$5,318,226	\$396,852

Note 4 – Deposits and Investments

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

	2017
Demand deposits	\$1,177,817
Certificates of deposit	2,646,607
Total deposits	3,824,424
Municipal bonds	51,296
Total deposits and investments	\$3,875,720

Deposits

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

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

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.

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public Office dishonesty;
- Vehicles;
- Fireworks and;
- Errors and omissions.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages respectively. The Village has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
G.O Note for Service Garage	\$2,100,000	2%
G.O Note for Eddy Road	82,000	2.25%
G.O Note for Green Space	211,000	2.25%
DOPWIC Loan	170,806	0%
Total	\$2,563,806	

The Village secured a \$2.1 million dollar note in 2017 for the purpose of building a new service garage and salt storage shed.

The Village has \$293,000 in principal remaining on two notes, one for the Eddy Road Project (\$82,000) and the other for the Green Space Project (\$211,000).

The Village also has two interest free loans from the State of Ohio Public Works Commission. For various water main replacements and street repairs.

Amortization

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

Year Ending December 31:	DOPWIC	G.O Note for Service Garage	G.O Note for Eddy Road	G.O Note for Eddy Road
2018	\$41,598	\$2,142,000	\$83,845	\$215,748
2019	34,352			
2020	27,102			
2021	27,102			
2022	27,102			
2023	13,550			
Total	\$170,806	\$2,142,000	\$83,845	\$215,748

Note 10 – Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village’s financial condition.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 – Jointly Governed Organizations

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 200 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.

In addition, the Village has joined the Chagrin Valley Dispatch, a regional council of governments formed under Chapter 167 of the Ohio Revised Code in order to provide the Village with dispatching services.

Note 12 – Subsequent Events

In 2018, the Village eligible voters passed a renewal levy (4.5 mills) for the Parks and Recreation Department.

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OHIO AUDITOR OF STATE KEITH FABER



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Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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 cash balances, receipts, and disbursements by fund type of the Village of Bratenahl, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated March 31, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Furthermore, as disclosed in Note 3 to the financial statements, as of year-end December 31, 2018, the Village reported a negative General Fund balance.

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 opinions 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.

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. We consider findings 2018-001 and 2018-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2018-002 and 2018-004 described in the accompanying schedule of findings to be significant deficiencies.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-001 and 2018-002.

Village'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 subject the Village's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 31, 2020

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 and 2017

FINDING NUMBER 2018-001

Material Weakness / Noncompliance Finding - Negative Fund Balance/Posting of Debt Proceeds:

Ohio Rev. Code § 5705.10(I) indicates money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Ohio Rev. Code § 5705.10(E) indicates all proceeds from the sale of public obligations or fractionalized interests in public obligations as defined in **Ohio Rev. Code § 133.01**, except premium and accrued interest, are to be paid into a special fund for the purpose of such issue. Any interest earned on money in the special fund may be used for the purposes for which the indebtedness was authorized, or may be credited and used for an authorized fund or account.

In 2017, the Village recorded \$293,000 of debt proceeds for the purposes of capital projects in its General Fund as miscellaneous receipts instead of other financing sources – sale of notes in its capital project fund. Management adjusted its financial statements and accounting records to correct this misposting. As a result of this adjustment, and net effect of other accounting adjustments (see Finding 2018-003), the General Fund is reporting a negative cash fund balance of \$283,141 at December 31, 2018 indicating money from other funds was used to cover general fund disbursements.

Failure to record receipts in proper funds can result in material financial statement errors and negative cash fund balances.

The Village should implement procedures to ensure receipts are recorded correctly are accounting reports fund balances are monitored by management to help prevent negative cash balances.

Officials' Response:

Management has established procedures that include not only self-review of entries made by the Deputy Fiscal Officer before financial statements are issued, but also a review by the Village Fiscal Officer of the allocation of receipts to ascertain that all have been recorded in the proper funds.

FINDING NUMBER 2018-002

Significant Deficiency / Noncompliance Finding – Bank Reconciliation:

Ohio Admin. Code 117-2-02 (A) requires all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's cash book balance. Bank reconciliation means accounting for the differences between the bank statement's balances and the cash and investment book balances according to the entity's records at a specific point in time. In order for the bank reconciliation to be an effective internal control, the bank reconciliation should be performed each month within a few days of receiving the entity's bank statements and should include all bank accounts held by the entity. Additionally, all differences between the bank statement balances and accounting record balances should be identified, documented, and if necessary, adjusted to the accounting records immediately.

The original reconciled cash balances reflected on the UAN accounting system's December 31, 2018 bank reconciliation did not agree to the final adjusted reconciled bank balances by a difference of (\$14,288). This difference resulted in a significant delay in the completion of the Village's 2018 and 2017 financial statement audit.

Subsequent review of accounting records and bank reconciliations by management in their proof of cash identified numerous errors including, but not limited to, incorrect identification of outstanding checks, and other reconciling items, as well as, multiple incorrectly recorded, unrecorded, and duplicate recorded receipts and disbursements. After accounting for these items, an unadjusted difference of \$6,107 remained at December 31, 2018 and was presented to management.

Failure to reconcile all bank accounts and clearly document all reconciling adjustments timely substantially increases the risk of bank overdrafts, theft, and various accounting and financial statement errors. Additionally, failure to maintain required accounting records inhibits management's ability to monitor the Village's financial activity and prepare accurate financial statements.

The Village should ensure bank to book reconciliations are performed monthly for all accounts. Any noted discrepancies should be promptly investigated, documented and corrected in the accounting records when identified.

Officials' Response:

Management has established procedures whereby the Village Fiscal Officer prepares a monthly proof of cash to ascertain the accuracy of the village operating bank account. The Fiscal Officer additionally prepares the bank reconciliation in the Uniform Accounting Network to verify the accuracy of other village accounts.

FINDING NUMBER 2018-003

Material Weakness – Financial Statement Adjustments:

In our audit engagement letter, as required by **AU-C Section 210**, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in **AU-C Section 210 paragraphs .A14 & .A16**.

The following errors were identified in the financial statements in 2018:

- General fund property and other taxes receipts, miscellaneous receipts, nonspendable fund balance, and unassigned fund balance were overstated, \$852, \$752, \$26,350, and \$283,141, respectively, and general government disbursements was understated \$14,886, respectively, due to the net effect of various financial statement misposting and cash reconciliation errors. These items were adjusted to the financial statements as approved by management.
- Special revenue funds' intergovernmental receipts and restricted fund balance were overstated, \$3,903 and \$45,900, respectively, and committed fund balance was understated \$41,994, respectively, due to the net effect of various financial statement misposting and cash reconciliation errors. These items were adjusted to the financial statements as approved by management.
- Capital project funds' restricted fund balance, committed fund balance, and beginning cash fund balance were understated, \$48,908, \$244,093, and \$293,001, respectively, due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements as approved by management.
- Agency funds' other financing sources and other financing uses were overstated, \$662,917 and \$623,981, respectively, and fines, licenses and permits receipts and other cash disbursements were understated, \$616,913 and \$623,981, respectively, due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements as approved by management.

The following errors were identified in the financial statements in 2017:

- General Fund miscellaneous receipts and unassigned fund balance were overstated, \$293,000 and \$420,300, respectively, and assigned fund balance was understated \$127,300, respectively, due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements as approved by management.
- Capital project funds' sale of refunding bonds and restricted fund balance were understated, \$293,000 and \$293,000, respectively, due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements as approved by management.
- Agency funds' other financing sources and other financing uses were overstated, \$945,710 and \$872,474, respectively, and fines, licenses and permits receipts and other cash disbursements were understated, \$945,710 and \$872,474, respectively, due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements as approved by management.

FINDING NUMBER 2018-003 – (Continued)

The Village should exercise due care when posting transactions to help ensure transactions are correct and posted to the proper accounts. Management should also review the financial statements to help ensure they are supported by sufficient documentation, reconciled to the trial balances, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

Officials' Response:

Management has emphasized to all personnel the importance of accuracy in recording and review of all financial transactions before final posting and presentation in village financial statements. The Fiscal Officer is charged with supervision of this process.

FINDING NUMBER 2018-004

Significant Deficiency – Segregation of Duties:

Effective internal controls to help prevent financial statement misstatements, and detect, prevent, and mitigate fraud. A key component of effective internal controls include adequate segregation of duties. Segregation of duties means the same person should not be performing the record keeping, authorization, custody, and reconciliation functions within each accounting cycle. When duties cannot be segregated within each accounting cycle, compensating controls, such as using an individual outside of the accounting function to perform nontechnical duties, should be utilized.

A lack of segregation of duties was found in the following areas with no adequate compensating controls in place.

- The Deputy Fiscal Officer modifies and approves changes to the employee master files, processes payroll, and records payroll in the accounting system;
- The Deputy Fiscal Officer prepares deposits, posts receipts and disbursements to the accounting system, and performs the monthly reconciliations for the Village;

Inadequate segregation of duties or independent checks increases the Village's susceptibility to error, misstatement or misappropriation of funds.

We recommend the Village revise its control mechanisms or add additional compensating controls, such as review of bank reconciliations by another individual, to increase its segregation of duties in the above areas.

Officials' Response:

Although there are natural limitations to the ability of a small village with few employees to segregate duties, Management has altered some procedures in the payroll process to provide for a review of the payroll by the Mayor. Additionally, the Fiscal Officer prepares the monthly bank reconciliations.



**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	<p>Material Weakness / Noncompliance Finding – Bank Reconciliations – Ohio Admin. Code 117-2-02(A): The initial bank reconciliations did not agree to the accounting system. Subsequent review by management identified material accounting errors which contributed to these differences.</p>	Not Corrected	See Finding 2018-002
2016-002	<p>Material Weakness / Noncompliance Finding – Mayor’s Court Activity Ohio Admin. Code 117-2-02(A): The Village maintained a separate accounting system to record Mayor's Court activity outside the UAN accounting system. The Mayor’s Court gross receipts, disbursements and cash balances were not entered into the UAN system which resulted in the Village originally filing financial statements with the Auditor of State which omitted this activity.</p>	Fully Corrected	

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OHIO AUDITOR OF STATE
KEITH FABER



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
MAY 26, 2020**