



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, 2014 and 2013.

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 (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, 2014 and 2013, 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, 2014 and 2013, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, 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

November 10, 2015

**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, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 963,952	\$ 131,447	\$ 73,027	\$ -	\$ 1,168,426
Municipal Income Tax	2,139,506				2,139,506
Intergovernmental	818,110	70,682	15,450		904,242
Charges for Services		23,108			23,108
Fines, Licenses and Permits	491,321	56,790			548,111
Earnings on Investments	13,042	58	232		13,332
Miscellaneous	109,322	306			109,628
<i>Total Cash Receipts</i>	<u>4,535,253</u>	<u>282,391</u>	<u>88,709</u>	<u>-</u>	<u>4,906,353</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,047,530	128,356			2,175,886
Community Environment	85,112	64,082			149,194
Transportation	537,562	78,823			616,385
General Government	1,077,036	91,202			1,168,238
Capital Outlay	63,608				63,608
Debt Service:					
Principal Retirement			70,000	491,638	561,638
Interest and Fiscal Charges			14,014	6,750	20,764
<i>Total Cash Disbursements</i>	<u>3,810,848</u>	<u>362,463</u>	<u>84,014</u>	<u>498,388</u>	<u>4,755,713</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>724,405</u>	<u>(80,072)</u>	<u>4,695</u>	<u>(498,388)</u>	<u>150,640</u>
Other Financing Receipts (Disbursements)					
Sale of Notes				400,000	400,000
Transfers In		9,673		666,299	675,972
Transfers Out	(675,972)				(675,972)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(675,972)</u>	<u>9,673</u>	<u>-</u>	<u>1,066,299</u>	<u>400,000</u>
<i>Net Change in Fund Cash Balances</i>	48,433	(70,399)	4,695	567,911	550,640
<i>Fund Cash Balances, January 1</i>	<u>1,244,170</u>	<u>369,881</u>	<u>89,687</u>	<u>175,257</u>	<u>1,878,995</u>
Fund Cash Balances, December 31					
Restricted	-	299,482	94,382	-	393,864
Committed	-	-	-	743,168	743,168
Assigned	73,729	-	-	-	73,729
Unassigned (Deficit)	1,218,874	-	-	-	1,218,874
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,292,603</u>	<u>\$ 299,482</u>	<u>\$ 94,382</u>	<u>\$ 743,168</u>	<u>\$ 2,429,635</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, 2014**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
Fines, Licenses and Permits	\$ 541,851
<i>Total Operating Cash Receipts</i>	541,851
Operating Cash Disbursements	
Other	523,924
<i>Total Operating Cash Disbursements</i>	523,924
<i>Operating Income (Loss)</i>	17,927
<i>Fund Cash Balances, January 1</i>	181,440
<i>Fund Cash Balances, December 31</i>	\$ 199,367

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, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 1,015,816	\$ 138,266	\$ 84,833	\$ -	\$ 1,238,915
Municipal Income Tax	1,955,289				1,955,289
Intergovernmental	354,431	191,326	5,222		550,979
Charges for Services		16,627			16,627
Fines, Licenses and Permits	539,655	47,463			587,118
Earnings on Investments	2,338	58			2,396
Miscellaneous	145,619	10,375			155,994
<i>Total Cash Receipts</i>	<u>4,013,148</u>	<u>404,115</u>	<u>90,055</u>	<u>-</u>	<u>4,507,318</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,749,446	30,195			1,779,641
Leisure Time Activities		85,574			85,574
Community Environment	103,145	30,000			133,145
Transportation	488,795	17,130			505,925
General Government	917,247	172,551			1,089,798
Capital Outlay	93,501				93,501
Debt Service:					
Principal Retirement			130,000	791,637	921,637
Interest and Fiscal Charges			24,241	11,250	35,491
<i>Total Cash Disbursements</i>	<u>3,352,134</u>	<u>335,450</u>	<u>154,241</u>	<u>802,887</u>	<u>4,644,712</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>661,014</u>	<u>68,665</u>	<u>(64,186)</u>	<u>(802,887)</u>	<u>(137,394)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds				450,000	450,000
Transfers In				507,250	507,250
Transfers Out	(507,250)				(507,250)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(507,250)</u>	<u>-</u>	<u>-</u>	<u>957,250</u>	<u>450,000</u>
<i>Net Change in Fund Cash Balances</i>	153,764	68,665	(64,186)	154,363	312,606
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>1,090,406</u>	<u>301,216</u>	<u>153,873</u>	<u>20,894</u>	<u>1,566,389</u>
Fund Cash Balances, December 31					
Restricted	-	369,881	89,687	257	459,825
Committed	-	-	-	175,000	175,000
Unassigned (Deficit)	1,244,170	-	-	-	1,244,170
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,244,170</u>	<u>\$ 369,881</u>	<u>\$ 89,687</u>	<u>\$ 175,257</u>	<u>\$ 1,878,995</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, 2013**

	Fiduciary Fund Types
	Agency
Operating Cash Receipts	
Fines, Licenses and Permits	\$ 524,593
<i>Total Operating Cash Receipts</i>	<i>524,593</i>
Operating Cash Disbursements	
Other	591,822
<i>Total Operating Cash Disbursements</i>	<i>591,822</i>
<i>Operating Income (Loss)</i>	<i>(67,229)</i>
<i>Fund Cash Balances, January 1 (Restated)</i>	<i>248,669</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 181,440</i>

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, 2014 AND 2013**

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, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services including, road maintenance, park operations (leisure time activities), and police services. The Village contracts with the City of Cleveland to receive fire protection service.

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 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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 deposits and municipal securities at adjusted 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.

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:

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(CONTINUED)**

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

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

3. 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 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 from notes. These proceeds are used for the acquisition of real property for conservation purposes.

Capital Project Reserve Fund- This fund is being used to accumulate monies for future capital projects.

5. Fiduciary Funds (Agency Funds)

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 funds account for the activities of the Mayor's Court, Private Way Fund, and the Juvenile Diversion Fund.

E. Budgetary Process

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

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(CONTINUED)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. 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:

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.

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.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(CONTINUED)**

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:

	2014	2013
Demand deposits	\$618,673	\$1,049,986
Certificates of deposit	1,778,661	1,010,449
Total deposits	2,397,334	2,060,435
 Municipal Securities	 231,668	
Total investments	231,668	0
Total deposits and investments	\$2,629,002	\$2,060,435

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, 2014 AND 2013
(CONTINUED)**

Investments: A financial institution's trust department holds the Village's certificates of deposit and municipal securities in book entry form in the Village's name. The financial institution maintains records identifying the Village as owner of these securities.

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 is as follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,770,000	\$4,535,253	(\$234,747)
Special Revenue	315,471	292,064	(23,407)
Debt Service	84,374	88,709	4,335
Capital Projects	1,066,131	1,066,299	168
Total	\$6,235,976	\$5,982,325	(\$253,651)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,129,200	\$4,587,042	\$542,158
Special Revenue	456,171	368,232	87,939
Debt Service	90,000	84,014	5,986
Capital Projects	498,388	498,388	0
Total	\$6,173,759	\$5,537,676	\$636,083

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,696,647	\$4,013,148	\$316,501
Special Revenue	237,218	404,115	166,897
Debt Service	93,291	90,055	(3,236)
Capital Projects	500,744	957,250	456,506
Enterprise	5,000	0	(5,000)
Total	\$4,532,900	\$5,464,568	\$931,668

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(CONTINUED)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,944,875	\$3,870,762	\$74,113
Special Revenue	455,517	336,015	119,502
Debt Service	234,887	154,241	80,646
Capital Projects	823,001	802,887	20,114
Enterprise	5,000	0	5,000
Total	\$5,463,280	\$5,163,905	\$299,375

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.

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.

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, 2014 was as follows:

General Obligation Bonds	\$155,000	5%
Capital Improvement Notes	400,000	1%
OPWC Water Main and Street Replacement Loan	295,779	0%
Total	\$850,779	

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(CONTINUED)**

The Proceeds of the General Obligation Lake Shore Improvement bonds, issued in 1996, were used for the purpose of improving Lake Shore 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 Project 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.

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

Year ending December 31:	OWPC Loan	General Obligation Bonds	Capital Improvement Notes
2015	\$41,638	\$84,106	\$404,400
2016	41,638	84,700	
2017	41,638		
2018	41,638		
2019	34,370		
2020-2024	94,857		
Total	<u>\$295,779</u>	<u>\$168,806</u>	<u>\$404,400</u>

7. Retirement Systems

The Village's full time Police Officers belong to the 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 January 1, 2013 through June 30, 2013, OP&F participants contributed 10% of their wages, for July 1, 2013 through June 30, 2014, OP&F participants contributed 10.75% of their wages, and for July 1, 2014 through December 31, 2014, OP&F participants contributed 11.5% of their wages. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, 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, 2014.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(CONTINUED)**

- Comprehensive property and general liability
- Public official dishonesty
- Fireworks; and
- Vehicles.

9. Contingent Liabilities

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

10. Jointly Governed Organizations

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 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.

11. Restatement of Beginning Fund Balances

In 2013 the Village made an actual prior audit adjustment to its UAN system in the following amounts:

	<u>General Fund</u>	<u>General Obligation Fund</u>
December 31, 2012		
Ending Fund Cash Balance	\$912,206	\$ 331,373
Prior period Audit Adjustment	<u>177,500</u>	<u>(177,500)</u>
January 1, 2013 Fund Cash Balance	<u>1,090,406</u>	<u>153,873</u>
December 31, 2012	<u>Agency Funds</u>	
Ending Cash Balance	\$179,796	
Adjustment for other Agency Funds	<u>68,873</u>	
January 1, 2013 Fund Cash Balance	<u>\$248,669</u>	

12. Subsequent Events

In January 2015, the Village repaid its outstanding Note payable in the amount of \$400,000 and issued new notes in the amount of \$350,000.



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, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated November 10, 2015 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.

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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 finding 2014-003 described in the accompanying schedule of findings 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 finding 2014-001 described in the accompanying schedule of findings to be a significant deficiency.

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 2014-001 and 2014-002.

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

November 10, 2015

**VILLAGE OF BRATENAHL
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Condition of Court Accounting Records – Noncompliance and Significant Deficiency

Ohio Admin. Code §117-2-02(A) states that all 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, document compliance with finance related legal and contractual agreements and prepare financial statements by rule 117-2-03 of the Administrative code. This requires the Village to maintain and safeguard all documents related to activity occurring during the audit period.

The following noncompliance and deficiencies were noted:

- 18 of 24 remittances to the Village Treasury were not made in accordance with Ohio Rev. Code 733.40, which requires that all court monies due to the Village be remitted and deposited into the Village treasury by the first Monday of the subsequent month;
- 9 of 24 remittances due to the state and county were not made in accordance with Ohio Rev. Code 1907.261(A)(2) and 2949.094(A); which requires all amounts owed to the state or county to be remitted by the 20th day of the subsequent month of collection; and
- During the audit period, various original court deposit records were not available and were described as being inadvertently shredded. The Village re-created the records in full; however, not having the original records caused difficulties in completing the required audit procedures.

Not having the proper documentation can lead to the improper reporting of financial statement amounts, non-compliance with Ohio Revised and Ohio Administrative Codes, and the misappropriation of Village assets.

We recommend that the Village better secure and maintain court records as prescribed by Ohio law and work to ensure compliance with various court requirements.

Officials' Response:

The Village agrees with the findings and will implement policies and procedures to correct them.

**VILLAGE OF BRATENAHL
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(CONTINUED)**

FINDING NUMBER 2014-002

Proper Encumbering – Noncompliance

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

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

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 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.

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 Fiscal Officer 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.

Sixteen of eighteen and three of sixteen disbursements tested in 2013 and 2014, respectively, 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.

**VILLAGE OF BRATENAHL
SCHEDULE OF FINDINGS
FOR THE PERIOD ENDED DECEMBER 31, 2014 AND 2013
(CONTINUED)**

**FINDING NUMBER 2014-002
(Continued)**

Proper Encumbering – Noncompliance (Continued)

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.

Officials' Response:

The Village has corrected its policies and procedures to make certain that the availability of funds is properly certified, or that the provisions of the allowable exceptions have been met.

FINDING NUMBER 2014-003

Financial Reporting – 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 for fiscal years 2014 and 2013:

- The Village Mayor's Court activity was not recorded in the UAN system or the financial statements;
- The Village improperly classified various intergovernmental receipts as miscellaneous income in the special revenue funds;
- The Village improperly classified Capital Reserve Fund Balance as Unassigned instead of Committed;
- Certain receipts tested for charges for services did not contain adequate supporting documentation to determine that the proper rates were charged; and
- Contrary to Ohio Revised Code 5705.10 (B), the Village posted \$6,327 of property taxes levied for the Debt Service Fund into the Parks and Recreation Special Revenue Fund during 2014.

The Village made subsequent adjustments and reclassifications to the financial statements and, where applicable, the accounting records to correct the above deficiencies.

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 review 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.

**VILLAGE OF BRATENAHL
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(CONTINUED)**

**FINDING NUMBER 2014-003
(Continued)**

Financial Reporting – Material Weakness (Continued)

Officials' Response:

The village is actively seeking a solution to recording the Mayor's Court activity in the UAN system, and has instituted controls to prevent the inadvertent misclassification of receipts.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Village failed to properly certify 6 of 28 disbursements in accordance with ORC 5705.41(D)	No	Village discovered issue in 2014; Noncompliance was significant in 2013, but improved in 2014; Repeated as Finding 2014-002
2012-002	Village did not properly report court activity in the UAN system, improperly reported an agency fund as a special revenue fund, and had several accounting errors.	No	Partially Corrected; Village re-classified agency fund; Repeated as Finding 2014-003

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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
NOVEMBER 24, 2015**