



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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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 for each governmental fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Bratenahl, Cuyahoga County, Ohio (the Village).

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(C) 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(C), 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(C) 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, 2020 and 2019, 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 for each governmental and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 15 to 2020 the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. 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 September 21, 2022, 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, appearing to read "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

September 21, 2022

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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 Type
For the Year Ended December 31, 2020

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$999,650	\$138,025			\$1,137,675
Municipal Income Tax	1,831,773	561,845			2,393,618
Intergovernmental	193,056	230,140			423,196
Charges for Services		12,598			12,598
Fines, Licenses and Permits	421,557	13,885			435,442
Earnings on Investments	8,432		\$2		8,434
Miscellaneous	231,416	12,762			244,178
<i>Total Cash Receipts</i>	<u>3,685,884</u>	<u>969,255</u>	<u>2</u>	<u>0</u>	<u>4,655,141</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,949,957	66,494			2,016,451
Leisure Time Activities	1,485	27,493			28,978
Community Environment	75,591				75,591
Transportation	505,395	22,790			528,185
General Government	1,021,362	648,016			1,669,378
Capital Outlay		350			350
Debt Service:					
Principal Retirement			2,483,333	\$27,102	2,510,435
Interest and Fiscal Charges			60,000		60,000
<i>Total Cash Disbursements</i>	<u>3,553,790</u>	<u>765,143</u>	<u>2,543,333</u>	<u>27,102</u>	<u>6,889,368</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>132,094</u>	<u>204,112</u>	<u>(2,543,331)</u>	<u>(27,102)</u>	<u>(2,234,227)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes			2,406,682		2,406,682
Transfers In	225,005	55,327		27,102	307,434
Transfers Out	(27,102)	(105,332)		(175,000)	(307,434)
Other Financing Uses	(234,171)				(234,171)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(36,268)</u>	<u>(50,005)</u>	<u>2,406,682</u>	<u>(147,898)</u>	<u>2,172,511</u>
<i>Net Change in Fund Cash Balances</i>	95,826	154,107	(136,649)	(175,000)	(61,716)
<i>Fund Cash Balances, January 1</i>	<u>(240,761)</u>	<u>527,560</u>	<u>379,240</u>	<u>652,473</u>	<u>1,318,512</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$144,935)</u>	<u>\$681,667</u>	<u>\$242,591</u>	<u>\$477,473</u>	<u>\$1,256,796</u>

See accompanying notes to the basic financial statements

Village of Bratenahl, Ohio
Cuyahoga County
Statement of Additions, Deductions
and Changes in Fund Balances (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2020

	Fiduciary Fund Type
	Custodial
	Other Custodial
Additions	
Charges for Services	\$5,335
Fines, Licenses and Permits for Distribution	441,102
<i>Total Additions</i>	446,437
Deductions	
Distributions to Other Governments	515,754
Distributions of Deposits	50,000
Other Distributions	6,047
<i>Total Deductions</i>	571,801
<i>Net Change in Fund Balances</i>	(125,364)
<i>Fund Cash Balances, January 1</i>	270,911
<i>Fund Cash Balances, December 31</i>	\$145,547

See accompanying notes to the basic financial statements

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 - Reporting Entity

The Village of Bratenahl (the Village), Cuyahoga County, 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 general government including 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 (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) 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.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Street Construction Maintenance and Repair Fund 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.

Cares Act - The Village received Cares Act funds from Cuyahoga County for meeting pandemic related requirements.

Debt Service Funds- These funds account for the 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 not 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 Fund – This fund receives proceeds from note sales to perform necessary repairs to Eddy Road portion located in the Village.

Greenspace Project Fund - This fund receives proceeds from not sales to acquire real property located in the Village for conservation purposes.

Other Capital Project Fund - 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 custodial 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.

Custodial 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 Custodial funds account for the Juvenile Diversion Fund, Private Way Fund, and Mayor's Court and Bail Bonds Funds.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

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 (C). 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 (C) permit.

Budgetary Process

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

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 2020 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.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

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.

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, 2020

Note 3 - Compliance

Contrary to Ohio Revised Code section 5705.10(I) at December 31, 2020 the General Fund has a \$144,935 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.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,914,145	\$3,910,889	(\$3,256)
Special Revenue	795,832	1,024,582	228,750
Debt Service	2,406,684	2,406,684	0
Capital Projects	52,102	27,102	(25,000)
Total	\$7,168,763	\$7,369,257	\$200,494

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,635,031	\$3,887,549	(\$252,518)
Special Revenue	768,010	927,145	(159,135)
Debt Service	2,460,000	2,785,000	(325,000)
Capital Projects	177,200	202,102	(24,902)
Total	\$7,040,241	\$7,801,796	(\$761,555)

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 5 – 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:

	<u>2020</u>
Demand deposits	<u>\$998,331</u>
Total deposits	<u>998,331</u>
UBS	<u>404,012</u>
Total investments	<u>404,012</u>
Total carrying amount of deposits and investments held in the Pool	<u><u>1,402,343</u></u>

Deposits

Deposits are 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.

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 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.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Taxes – (Continued)

Income Taxes

The Village levies a municipal income tax of 2.0 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 estimate 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 (if material).

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

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Full-time and Part-time 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 healthcare 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, 2020.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 - Defined Benefit Pension Plans – (Continued)

Ohio Police and Fire Retirement System

Village has certified full-time Police Officers belong to the 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 healthcare 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, 2020.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allowed to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent during calendar year 2020.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
General Obligation Notes	\$2,400,000	0.025%
Ohio Public Works Commission Loan	67,757	0
Total	\$2,467,757	

The Village rolled over \$2,400,000 to a new note issue for the Service Garage in 2017.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt - (Continued)

The Village has interest free loans for 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:	OPWC Loan
2021	\$13,551
2022	27,103
2023	27,103
Total	<u>\$67,757</u>

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.

Note 12 – Jointly Governed Organizations

Northeast Ohio Public Energy Council (NOPEC)

The Village is a member of the Northeast Ohio Public Energy Council (“NOPEC”), a jointly governed organization. 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 and natural gas. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity and/or natural gas on behalf of their citizens. The intent of NOPEC is provide electricity and/or natural gas 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 and/or natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by a participating government is limited to its representation in the General Assembly and on the Board of Director. The Village did not contribute to NOPEC in 2016. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Solon, Ohio 44139.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 12 – Jointly Governed Organizations – (Continued)

Chagrin Valley Dispatch

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 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Debt Service	Total
Outstanding Encumbrances	\$ 72,486	\$ 56,670	\$ 241,667	\$ 370,823
<i>Total</i>	<i>\$72,486</i>	<i>\$56,670</i>	<i>\$241,667</i>	<i>\$370,823</i>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service and capital projects would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 14– Subsequent Events

On July 21, 2021, the Village issued \$2,400,000 in notes. The notes were sold at an interest rate of .025 percent.

On July 18, 2022, the Village issued \$2,400,000 in notes. The notes were sold at an interest rate of .025 percent.

On July 28, 2022, the Village approved an levy issue for 3.7 mill to be placed on the November 8, 2022 to cover the construction cost of a new Village hall to be constructed.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 15– COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. Of the amounts received, \$72,109 was returned to the granting agency. These amounts are reflected as general government expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

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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 Type
For the Year Ended December 31, 2019

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,019,098	\$140,305			\$1,159,403
Municipal Income Tax	2,152,233				2,152,233
Intergovernmental	202,207	90,320			292,527
Charges for Services		31,798			31,798
Fines, Licenses and Permits	549,213	28,085			577,298
Earnings on Investments	20,761	831	\$4,483		26,075
Miscellaneous	181,069	62,513			243,582
<i>Total Cash Receipts</i>	<u>4,124,581</u>	<u>353,852</u>	<u>4,483</u>	<u>0</u>	<u>4,482,916</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,060,392	96,207			2,156,599
Leisure Time Activities	1,072	66,766			67,838
Community Environment	52,055				52,055
Transportation	526,674	92,909			619,583
General Government	1,036,133	87,728			1,123,861
Capital Outlay	1,325	19,738		\$128,358	149,421
Debt Service:					
Principal Retirement			2,000,000	34,350	2,034,350
Interest and Fiscal Charges			65,750		65,750
<i>Total Cash Disbursements</i>	<u>3,677,651</u>	<u>363,348</u>	<u>2,065,750</u>	<u>162,708</u>	<u>6,269,457</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>446,930</u>	<u>(9,496)</u>	<u>(2,061,267)</u>	<u>(162,708)</u>	<u>(1,786,541)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes			2,413,627		2,413,627
Transfers In		64,710		34,350	99,060
Transfers Out	(117,060)				(117,060)
Other Financing Uses	(287,490)	(501)			(287,991)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(404,550)</u>	<u>64,209</u>	<u>2,413,627</u>	<u>34,350</u>	<u>2,107,636</u>
<i>Net Change in Fund Cash Balances</i>	42,380	54,713	352,360	(128,358)	321,095
<i>Fund Cash Balances, January 1</i>	<u>(283,141)</u>	<u>472,847</u>	<u>26,880</u>	<u>780,831</u>	<u>997,417</u>
Fund Cash Balances, December 31					
Restricted		369,850		652,473	1,022,323
Committed		157,710			157,710
Assigned			379,240		379,240
Unassigned (Deficit)	(240,761)				(240,761)
<i>Fund Cash Balances, December 31</i>	<u>(\$240,761)</u>	<u>\$527,560</u>	<u>\$379,240</u>	<u>\$652,473</u>	<u>\$1,318,512</u>

See accompanying notes to the basic financial statements

Village of Bratenahl, Ohio
Cuyahoga County
Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2019

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipts	
Fines, Licenses and Permits	\$1,162,094
<i>Total Operating Cash Receipts</i>	1,162,094
Operating Cash Disbursements	
Claims	2,406
Other	1,171,195
<i>Total Operating Cash Disbursements</i>	1,173,601
<i>Operating Income(Loss)</i>	(11,507)
<i>Income(Loss) before Transfers</i>	(11,507)
Transfers In	18,000
<i>Net Change in Fund Balances</i>	6,493
<i>Fund Cash Balances, January 1</i>	264,418
<i>Fund Cash Balances, December 31</i>	\$270,911

See accompanying notes to the basic financial statements

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of Bratenahl (the Village), Cuyahoga County, 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 public service department, building department, parks and recreation services, and Mayor’s Court; and contracts with the city of Cleveland for Fire and EMS services.

Jointly Governed Organizations

The Village participates in jointly governed organizations. Notes 12 to the financial statements provide additional information for these entities. The Village’s management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) its fiduciary fund type which are all 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:

Street Construction, Maintenance and Repair - The street construction, maintenance, and repair fund receives intergovernmental taxes collected by the State of Ohio from gasoline tax and motor vehicle tax money distributed to the Village. The funds are used for constructing, maintaining, and repairing roads and streets located in the village.

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

Police Disability and Pension Fund - This fund receives intergovernmental taxes from the State of Ohio to be strictly used towards paying the pensions of the Village’s police department personnel.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Court Computer Fund - This fund receives a portion of the fine payments made during Mayor's Court as authorized in the Ohio Revised Code. These funds are strictly limited to being used for the Court computerization.

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 Retirement Fund - During 2019 the Village had an outstanding Note for the Service Garage and Salt Storage Shed Facility in the amount of \$2,000,000 plus \$62,000 in interest. This was rolled over to a new note which will be due in August of 2020.

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:

Other Capital Projects - This fund was established for two interest-free grant/loans from the Ohio Public Works Commission and was used for Village road projects. One grant was paid off in 2019 and the other will be paid off in 2023.

Capital Projects Reserve Fund - This fund receives money from the General Fund for the purpose Of paying towards various capita 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 account for revenue and activity in the Employee Health Care and Mayor's Court accounts.

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 (C). 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 (C) permit.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 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.

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 2019 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 held investments with the State of Ohio Treasurer's STAROhio program. Investment in Star Ohio is measured at the net asset value (NAV) per share provided by STAROhio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

The Village also invests with UBS and has cash, certificates of deposit, and municipal bonds on deposit. The Village recognizes interest/dividends received and withdrawal/costs associated with UBS. During the reconciliation process, however, the Village shows the UBS market value adjusted by changes in value.

The Village also maintains the following depositor accounts at Dollar Bank: Operating account (checking), Mayor's Court Account (checking), Bail Bond Account (checking), and an Escrow Account.

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, 2019

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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 section 5705.10(I) at December 31, 2019 the General Fund has a \$240,761 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, 2019

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,582,481	\$4,124,581	(\$457,900)
Special Revenue	417,699	418,562	863
Debt Service	2,012,000	2,418,110	406,110
Capital Projects	41,638	34,350	(7,288)
Total	\$7,053,818	\$6,995,603	(\$58,215)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,352,036	\$4,652,817	(\$300,781)
Special Revenue	481,303	393,109	88,194
Debt Service	2,037,338	2,065,750	(28,412)
Capital Projects	199,221	162,708	36,513
Total	\$7,069,898	\$7,274,384	(\$204,486)

Note 5 – Deposits and Investments

The Village maintains a deposits 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:

Demand deposits	2019 \$742,320
Total deposits	742,320
UBS Investments	795,619
STAR Ohio	1,484
Escrow	50,000
Total investments	847,103
Total carrying amount of deposits and investments held in the Pool	\$1,589,423

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Deposits and Investments – (Continued)

Deposits

Deposits are collateralized through the Ohio Pooled Collateral System (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.

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. During 2019 the Village investments included STAROhio and UBS investments which included chiefly certificates of deposit and municipal securities.

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.

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

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

During 2019 the Village placed an income tax increase from 1.5% to 2.0% on the ballot to provide funding for police expenses and service vehicles. The residents of Bratenahl voted in favor of the levy during 2019.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Risk Management

Workers' Compensation

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;
- Vehicles; and
- Errors and omissions.
- Public Official dishonesty
- fireworks

During 2019, the Village paid \$144,000 for uninsured losses.

Note 8– Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some full-time and part-time 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 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

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 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
General Obligation Notes	\$2,400,000	0.025%
Ohio Public Works Commission loan	94,859	0
Total	\$2,494,859	

During 2019, The Village repaid the \$2,000,000 not outstanding at December 31, 2018 and entered into a new note agreement for \$2,400,000. The Village also has an outstanding interest-free loan from the State of Ohio Department of Public Works Commission (OPWC), for various water main replacements and street repairs.

Amortization

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

Year Ending December 31:	OPWC Loan
2020	\$13,551
2021	27,102
2022	27,102
2023	27,102
Total	\$94,857

Village of Bratenahl, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, (principally the federal government, State of Ohio, and Cuyahoga County). The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow.

Note 12 – Jointly Governed Organizations

Northeast Ohio Public Energy Council (NOPEC)

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.

Chagrin Valley Dispatch

The Village has joined the Chagrin Valley Dispatch (a regional council of governments) in order to provide the Village with Dispatching services.

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OHIO AUDITOR OF STATE KEITH FABER



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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 for each governmental and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Bratenahl, Cuyahoga County, Ohio (the Village) and have issued our report thereon dated September 21, 2022, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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.

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 2020-001 described in the accompanying schedule of findings to be a material weakness.

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 2020-002 and 2020-003 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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-003.

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

September 21, 2022

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

FINDING NUMBER 2020-001

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 2020 financial statements due to deficiencies in internal control and were adjusted to the financial statements as approved by management:

- General Fund ending fund balance, beginning fund balance, earned interest revenue and miscellaneous revenue were overstated by \$375,952, \$342,182, \$2,533 and \$10,435, respectively, and property tax revenue, income tax revenue and general government disbursements were understated \$29, \$18,268, and \$39,099, respectively.
- Special Revenue Funds' beginning fund balance, miscellaneous revenue, intergovernmental revenue, income tax revenue, ending fund balance and general government disbursements were understated by \$47,745, \$11,932, \$707, \$41,548, \$88,899 and \$13,033, respectively.
- Capital Projects Funds' beginning fund balance and ending fund balance were understated by \$244,093.
- Custodial Funds' fines, licenses and permits for distribution, other amounts collected for distributions and distributions to other funds were overstated by \$26,034, \$19,330, and \$479,141, respectively, and beginning fund balance, ending fund balance and distributions to other governments were understated by \$5,125, \$200, and \$439,102, respectively.

Certain other immaterial errors were ranging from \$6,682 to \$83,333 were also identified in the 2020 financial statements and were reported to management as unadjusted differences.

The following errors were identified in the 2019 financial statements due to deficiencies in internal control and were adjusted to the financial statements as approved by management:

- General Fund beginning fund balance, ending fund balance and miscellaneous revenue were overstated by \$311,577, \$358,672, and \$47,095, respectively.
- Special Revenue Funds' intergovernmental revenue and beginning fund balance were overstated by \$24,251 and \$4,005, respectively, and property tax revenue, ending fund balance and miscellaneous revenue were understated by \$25,000, \$43,839, and \$47,095, respectively.
- Capital Projects Funds' beginning fund balance and ending fund balance were understated by \$293,001.

FINDING NUMBER 2020-001 – (Continued)

- Agency Funds' other financing sources, and other financing uses were overstated by \$813,044 and \$887,254, respectively, and operating cash receipts - fines, licenses, and permits, operating cash disbursements - other and ending fund balance were understated by \$820,859, \$889,944, and \$5,125, respectively.

Certain other immaterial errors were ranging from \$13,618 to \$26,938 were also identified in the 2019 financial statements and were reported to management as unadjusted differences.

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:

After necessary adjustments are made in 2022, and new beginning balances are realized, due care will be exercised to properly post transactions and reconcile all accounts. The Fiscal Officer believes many of those common errors have been remedied in 2021-22.

FINDING NUMBER 2020-002

Significant Deficiency - Segregation of Duties:

Effective internal controls help to prevent financial statement misstatements, and detect, prevent, and mitigate fraud. A key component of effective internal controls includes 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 Fiscal Officer modifies and approves changes to the employee master files, processes payroll, and records payroll in the accounting system;
- The 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:

Financials, bank statements and reconciliations are sent to Council and Law Director on a monthly basis. Regarding segregation of duties, there is limited space for additional personnel in the current setting, and this function is under the authority of the fiscal officer. Additionally, and most importantly, there has been no incidents for wrongdoing on the part of the Fiscal Officer over the past ten years.

FINDING NUMBER 2020-003

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, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. 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 on a timely basis.

The original reconciled cash balances reflected in the Village's December 31, 2020 and 2019 bank reconciliations did reconcile between the bank and book balances; however, due to subsequent review of accounting records and bank reconciliations by management in their proof of cash, numerous errors were identified 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. In addition, on the December 31, 2020 reconciliation the Village's StarOhio account was not included. After correcting the identified errors in the accounting system and reconciliations, unadjusted differences of (\$8,530) and \$6,759 remained at December 31, 2020 and 2019, respectively, and were 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 accurately 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:

Financials, bank statements and reconciliations are sent to Council and Law Director on a monthly basis. The Finance Committee began a review of process in 2022.

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

DECEMBER 31, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	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.	Not Corrected	See Finding 2020-003
2018-002	Material Weakness – Financial Statement Adjustment: We noted several financial statement adjustments in various funds for both fiscal year 2018 and 2017.	Not Corrected	See Finding 2020-001
2018-003	Significant Deficiency- Segregation of Duties: We noted a lack of segregation of duties in payroll transactions and various receipt transactions where monies are not auto deposited into the Village’s bank account.	Not Corrected	See Finding 2020-002

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF BRATENAHL

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/25/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov