



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY

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**Mary Taylor, CPA**  
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Village of Bratenahl  
Cuyahoga County  
411 Bratenahl Road  
Bratenahl, Ohio 44108

To the Village Council:

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 9, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Bratenahl, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2006 and December 31, 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and December 31, 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and December 31, 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Bratenahl, Cuyahoga County, Ohio, as of December 31, 2006 and December 31, 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

November 9, 2007



**VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$745,713	\$106,784	\$87,546	\$0	\$940,043
Municipal Income Tax	908,867	0	0	0	908,867
Intergovernmental	746,039	72,925	6,016	141,973	966,953
Charges for Services	0	10,793	0	0	10,793
Fines, Licenses and Permits	453,284	26,900	0	0	480,184
Earnings on Investments	41,281	1,742	4,830	0	47,853
Miscellaneous	245	201	0	0	446
<b>Total Cash Receipts</b>	<b>2,895,429</b>	<b>219,345</b>	<b>98,392</b>	<b>141,973</b>	<b>3,355,139</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	1,483,142	90,468	0	0	1,573,610
Public Health Services	2,388	309	241	0	2,938
Leisure Time Activities	8,079	59,228	0	0	67,307
Community Environment	6,715	0	0	0	6,715
Transportation	334,677	29,482	0	0	364,159
General Government	622,066	64,757	760	0	687,583
Debt Service:					
Redemption of Principal	0	0	247,576	41,638	289,214
Interest and Fiscal Charges	0	0	49,460	0	49,460
Capital Outlay	4,839	12,970	0	360,786	378,595
<b>Total Cash Disbursements</b>	<b>2,461,906</b>	<b>257,214</b>	<b>298,037</b>	<b>402,424</b>	<b>3,419,581</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>433,523</b>	<b>(37,869)</b>	<b>(199,645)</b>	<b>(260,451)</b>	<b>(64,442)</b>
<b>Other Financing Receipts / (Disbursements):</b>					
Sale of Notes	0	0	200,156	576,018	776,174
Advances-In	88,584	0	0	0	88,584
Advances-Out	0	0	0	(88,584)	(88,584)
Other Financing Uses	(1,380)	0	0	0	(1,380)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>87,204</b>	<b>0</b>	<b>200,156</b>	<b>487,434</b>	<b>774,794</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	520,727	(37,869)	511	226,983	710,352
Fund Cash Balances, January 1, 2006	203,739	184,645	261,700	74,578	724,662
<b>Fund Cash Balances, December 31, 2006</b>	<b>\$724,466</b>	<b>\$146,776</b>	<b>\$262,211</b>	<b>\$301,561</b>	<b>\$1,435,014</b>
Reserve for Encumbrances, December 31, 2006	\$20,378	\$0	\$0	\$0	\$20,378

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

**VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Operating Cash Receipts:</b>	
Fines, Licenses and Permits	\$678,275
Total Operating Cash Receipts	678,275
<b>Operating Cash Disbursements:</b>	
Other	640,176
Total Operating Cash Disbursements	640,176
Operating Income/(Loss)	38,099
<b>Non-Operating Cash Receipts:</b>	
Earnings on Investments	66
Total Non-Operating Cash Receipts	66
Net Receipts Over/(Under) Disbursements	38,165
Fund Cash Balances, January 1, 2006	168,029
<b>Fund Cash Balances, December 31, 2006</b>	<b>\$206,194</b>

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

**VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$701,325	\$101,272	\$79,769	\$0	\$882,366
Municipal Income Tax	908,307	0	0	0	908,307
Intergovernmental	654,005	66,961	9,388	0	730,354
Charges for Services	37,892	9,467	0	0	47,359
Fines, Licenses and Permits	374,851	19,704	0	0	394,555
Earnings on Investments	19,525	951	2,367	0	22,843
Miscellaneous	17,269	82,101	0	0	99,370
<b>Total Cash Receipts</b>	<b>2,713,174</b>	<b>280,456</b>	<b>91,524</b>	<b>0</b>	<b>3,085,154</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	1,077,911	145,729	0	0	1,223,640
Public Health Services	4,867	349	213	0	5,429
Leisure Time Activities	85,547	49,704	0	0	135,251
Community Environment	1,875	0	0	0	1,875
Basic Utility Service	89,303	17,899	0	0	107,202
Transportation	299,412	71,786	0	0	371,198
General Government	922,277	52,226	407	0	974,910
Debt Service:					
Redemption of Principal	84	0	245,000	41,638	286,722
Interest and Fiscal Charges	0	0	48,295	0	48,295
Capital Outlay	45,871	18,834	0	88,584	153,289
<b>Total Cash Disbursements</b>	<b>2,527,147</b>	<b>356,527</b>	<b>293,915</b>	<b>130,222</b>	<b>3,307,811</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>186,027</b>	<b>(76,071)</b>	<b>(202,391)</b>	<b>(130,222)</b>	<b>(222,657)</b>
<b>Other Financing Receipts / (Disbursements):</b>					
Proceeds from Sale of Public Debt:					
Sale of Bonds	0	0	3,033	0	3,033
Sale of Notes	0	0	200,000	0	200,000
Transfers-In	0	104,674	4	0	104,678
Transfers-Out	(104,678)	0	0	0	(104,678)
Advances-In	0	0	0	88,584	88,584
Advances-Out	(88,584)	0	0	0	(88,584)
Other Financing Uses	(7,414)	0	0	0	(7,414)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(200,676)</b>	<b>104,674</b>	<b>203,037</b>	<b>88,584</b>	<b>195,619</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(14,649)	28,603	646	(41,638)	(27,038)
Fund Cash Balances, January 1, 2005	218,388	156,042	261,054	116,216	751,700
<b>Fund Cash Balances, December 31, 2005</b>	<b>\$203,739</b>	<b>\$184,645</b>	<b>\$261,700</b>	<b>\$74,578</b>	<b>\$724,662</b>
Reserve for Encumbrances, December 31, 2005	\$15,822	\$0	\$0	\$0	\$15,822

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

**VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Operating Cash Receipts:</b>	
Fines, Licenses and Permits	\$514,251
Miscellaneous	2,000
Total Operating Cash Receipts	516,251
<b>Operating Cash Disbursements:</b>	
Other	505,693
Total Operating Cash Disbursements	505,693
Net Receipts Over/(Under) Disbursements	10,558
Fund Cash Balances, January 1, 2005	157,471
<b>Fund Cash Balances, December 31, 2005</b>	<b>\$168,029</b>

*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, 2006 AND DECEMBER 31, 2005**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

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

**B. Accounting Basis**

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

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

**C. Cash and Investments**

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

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant special revenue funds:

**VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

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

**3. Debt Service Funds**

This fund accounts for resources the Village accumulates to pay bond and note indebtedness and Ohio Public Work Commission loans.

**4. Capital Project Funds**

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

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

**5. Fiduciary Funds (Agency Fund)**

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**2. Equity in Pooled Cash and Investments**

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

	2006	2005
Demand deposits	\$1,641,208	\$92,691
Certificates of deposit	0	800,000
Total deposits	\$1,641,208	\$892,691

**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, 2006 AND DECEMBER 31, 2005  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2006 and December 31, 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,081,469	\$2,895,429	(\$186,040)
Special Revenue	367,238	219,345	(147,893)
Debt Service	90,912	298,548	207,636
Capital Projects	206,995	717,991	510,996
Total	\$3,746,614	\$4,131,313	\$384,699

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,746,250	\$2,483,664	\$262,586
Special Revenue	436,665	257,214	179,451
Debt Service	317,795	298,037	19,758
Capital Projects	567,386	402,424	164,962
Total	\$4,068,096	\$3,441,339	\$626,757

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,081,469	\$2,713,174	(\$368,295)
Special Revenue	367,238	385,130	17,892
Debt Service	90,812	294,561	203,749
Capital Projects	0	0	0
Total	\$3,539,519	\$3,392,865	(\$146,654)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,992,633	\$2,655,061	\$337,572
Special Revenue	570,014	356,527	213,487
Debt Service	535,751	293,915	241,836
Capital Projects	0	130,222	(130,222)
Total	\$4,098,398	\$3,435,725	\$662,673



**VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

Contrary to Ohio law, four transfers were made during 2005 from the General Fund to the Police Disability and Pension Fund totaling \$104,669 which were not individually approved by Council.

Contrary to Ohio law, various funds had total appropriations that were greater than estimated revenue at year end 2006 and 2005.

Contrary to Ohio law, nine percent of expenditures tested in 2006 and twenty-six percent of expenditures tested in 2005 were made prior to receiving the fiscal officer's certification.

Contrary to Ohio law, the Issue II Loans and Eddy Road Capital Projects Funds had expenditures plus encumbrances greater than total appropriations by \$41,638 and \$88,584, respectively, at the legal level of budgetary control at year end 2005.

Contrary to Ohio law, the beginning unencumbered cash balances on the Village's Certificates of Estimated Resources for 2006 and 2005 for the General, Bond Retirement, and Street Construction/Sidewalk Phase II Funds, as reported to the County Budget Commission did not agree with the prior year unencumbered balances noted in the Village's general ledger.

**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.

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

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

**5. Local Income Tax**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Lakeshore Improvement Bonds	\$630,000	5.4% to 4.8%
Ohio Public Work Commission Loans	609,000	0.00%
Eddy Road Improvement Note, Series 2005	575,000	4.00%
Public Improvement Note, Series 2006	200,000	4.25%
Total	<u>\$2,014,000</u>	

The proceeds of the General Obligation Lakeshore Boulevard Improvement Bonds, issued in 1996, were used for the purpose of improving Lakeshore Boulevard and Bratenahl Road. The proceeds from the Public Improvement Note, Series 2006, Eddy Road Improvement Note, Series 2005, and the proceeds from the OPWC – Water Main and Street Replacement Program Loans were used for replacement of pavement, curbs, sidewalks, aprons and water lines. The bond is being paid from the Debt Service Fund and the Public Improvement Note and OPWC Loans are being paid from the Phase II Capital Projects Fund. The Eddy Road Improvement Note is being paid from the Eddy Road Capital Projects Fund. All bonded Debt will be repaid using voted millage. Note and OPWC loans debt will be repaid using general operating revenues of the Village.

Amortization of the Bonds and Loans, including interest, is scheduled as follows:

	<u>OPWC Loans</u>	<u>General Obligation Bonds</u>
Year ending December 31:		
2007	\$41,637	\$86,030
2008	41,637	83,330
2009	41,637	85,630
2010	41,637	82,605
2011	41,637	84,525
2012 – 2016	208,185	425,506
2017 – 2021	165,528	0
2022 – 2026	27,102	0
Total	<u>\$609,000</u>	<u>\$847,626</u>

**7. Retirement Systems**

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

**VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005  
(Continued)**

**7. Retirement Systems (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**8. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

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

**9. Contingent Liabilities**

The Village is a 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.

**10. Northeast Ohio Public Energy Council**

The Village is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 112 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2006 or 2005. Financial information can be obtained by contacting the Joseph Migliorini, Board Chairman, 175 South Main Street, Akron, Ohio 44308.

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# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Bratenahl, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2006 and December 31, 2005, and have issued our report thereon dated November 9, 2007 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village, because the Auditor of State designed, developed, implemented and as requested operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-006.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 9, 2007.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-005.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 9, 2007.

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.

We intend this report solely for the information and use of the Audit Committee, management and the Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 9, 2007

VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005

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

FINDING NUMBER 2006-001

**Transfers - Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code Section 5705.14 states, in part, that except in the case of the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members.

The Village made four transfers during 2005 from the General fund to the Police Disability and Pension fund totaling \$104,669 which were not individually approved through a resolution passed by a simple majority of the Village Council.

We recommend all interfund cash transfers be approved through a resolution of the Village Council prior to their occurrence to ensure compliance with the Ohio Revised Code section mentioned above. The resolution should specify the funds to pay and receive the money. This resolution should be separate from appropriation resolutions.

**Official's Response**

In 2005, transfers were made from the General Fund to the Police Disability and Pension Fund based on the approved budget. Henceforth, transfers will be made in accordance with Ohio Revised Code Section 5705.14. A Resolution of Council will be approved prior to their occurrence, specifying funds to pay and receive the money.

FINDING NUMBER 2006-002

**Appropriations Exceeding Total Estimated Receipts - Noncompliance Citation and Significant Deficiency**

Ohio Revised Code Section 5705.39 states, in part, the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure there from as certified by the county budget commission.

As discussed in Auditor of State Bulletin 97-012, if a local government is participating in a grant or loan program whereby proceeds will be received after the expenditures are incurred, it is possible that if properly budgeted, appropriations for one fiscal year will exceed the available amount on the certificate of estimated resources. However, an advance should be used to prevent a negative fund balance. The following funds had appropriations exceeding total estimated receipts at year end:

**VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005  
(Continued)**

**FINDING NUMBER 2006-002  
(Continued)**

**Appropriations Exceeding Total Estimated Revenues – Noncompliance Citation and Significant Deficiency (Continued)**

	<u>Total Estimated Revenues</u>	<u>Appropriations</u>	<u>Variance</u>
<b>At December 31, 2006</b>			
<i>Capital Project Funds:</i>			
Eddy Road Fund	\$0	\$360,786	(\$360,786)
<b>At December 31, 2005</b>			
General Fund	2,756,908	2,992,633	(235,725)
<i>Special Revenue Funds:</i>			
Law Enforcement Fund	78,059	94,257	(16,198)
Police Pension Fund	26,707	132,903	(106,196)
Sewer Tap In Fund	15,832	17,782	(1,950)
<i>Debt Service Fund:</i>			
Phase II Note Fund	175,532	205,400	(29,868)

We recommend the Village compare appropriations to estimated revenues in all funds which are legally required to be budgeted to ensure compliance with the above requirements. This comparison should be made on a monthly basis at a minimum.

**Official's Response**

UAN training help will be engaged as required to correct and maintain fund balances per 2003-2004 and 2005-2006 audit recommendations.

**FINDING NUMBER 2006-003**

**Proper Encumbering - Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.



VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005  
(Continued)

FINDING NUMBER 2006-003  
(Continued)

**Proper Encumbering – Noncompliance Citation and Significant Deficiency (Continued)**

**1. “Then and Now” certificate** – If the fiscal officer can certify both at the time the contract or order was made (“then”), and at the time 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 the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

**2. Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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

Nine percent (9%) of the transactions tested from 2006 and twenty-six percent (26%) of the transactions tested from 2005 were not certified by the Clerk 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.

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 the Clerk-Treasurer certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The fiscal officer should deny payment requests when prior certification or “then and now” certification are not obtained.

**VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005  
(Continued)**

**FINDING NUMBER 2006-004**

**Proper Encumbering – Noncompliance Citation and Significant Deficiency (Continued)**

**Official's Response**

Then and Now purchase orders are now used to cover purchases made during the gap between completion of blanket purchase orders and issuance of new blanket purchase orders. Year end liabilities will be properly encumbered in the following year by using Then and Now purchase orders as well.

**Expenditures plus Encumbrances Exceeding Total Appropriations - Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure or encumbrance unless it has been properly appropriated. Budgetary expenditures as enacted by the Village may not exceed appropriations at the legal level of control for all funds. The Issue II Loans and the Eddy Road Capital Projects Funds had expenditures plus encumbrances exceeding total authorized appropriations by \$41,638 and \$88,584, respectively, at the legal level of budgetary control at year end 2005.

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

**Official's Response**

DOPWIC loans, \$41,638: A restricted fund for repayment of these loans has been established by Council resolution and money will be transferred from the General Fund to the Restricted Fund according to Ohio Revised Code Section 5705.41(B).

Eddy Road appropriation of \$88,584 was paid from the General Fund and no appropriation was made from the Eddy Road Capital Projects Fund for this amount. Capital projects will be properly paid from the corresponding Capital Projects Fund in the future.

**FINDING NUMBER 2006-005**

**Unencumbered Cash Balances – Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code Section 5705.36 (A)(1) states, in part, that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.

During our review of the Village's Certificates of Estimated Resources for 2006 and 2005, we noted that the beginning unencumbered cash balances of the General, Bond Retirement, and Street Construction/Sidewalk Phase II Funds, as reported to the County Budget Commission on the Village's Original Certificate of Estimated Resources, did not agree with the prior year unencumbered balances noted in the Village's general ledger. If the Village had reported the proper unencumbered cash balances, appropriations would have exceeded total estimated resources in these funds, which is a violation of Ohio Revised Code Section 5705.39.

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

**VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005  
(Continued)**

**Unencumbered Cash Balances – Noncompliance Citation and Significant Deficiency (Continued)**

**Official's Response**

Now that the auditors have correctly adjusted our fund balances, we will request a new CER from the County Budget Commission with correct beginning fund balances for 2007.

**FINDING NUMBER 2006-006**

**Proper Posting of Receipts and Disbursements - Significant Deficiency**

The Village misclassified and misposted tax receipts, intergovernmental receipts, debt payments and various other receipts and expenditures to the Village revenue and expenditure ledgers and to the annual financial reports submitted to the Auditor of State for Fiscal Years 2006 and 2005. As a result, for Fiscal Year 2006, the General Fund's fund balance was understated by \$49,342 while the Debt Service and Capital Projects fund balances were overstated by \$7,704 and \$41,638, respectively. For Fiscal Year 2005, the General Fund's fund balance was understated by \$41,638 and the Capital Projects fund balance was overstated by \$41,638. Additionally, the Village did not include the Mayor's Court activity on their annual financial reports. These errors and practices resulted in several audit adjustments and inaccurate receipt, expenditures and monthly cash fund balances submitted to Council and the State of Ohio.

We recommend the Village take the necessary steps, such as governmental accounting training courses and membership in a government finance oriented organization, to ensure that all receipts and expenditures are properly classified and posted when recorded in the Village's ledgers and on the annual financial reports submitted to the Auditor of State. Additionally, the Mayor's Court receipt and expenditure activity should be recorded as an Agency Fund on the annual financial report.

**Official's Response**

Capital Projects funds have been established to report the DOPWIC loan payments properly. Fund balances for 3901 fund, Other Debt Service/Phase II will be corrected. Future Capital Projects funds will be correctly maintained.

**VILLAGE OF BRATENAHL  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	ORC 5705.41(D)(1) - Expenditures were not properly encumbered at the time of commitment	No	Repeated as Finding 2006-003
2004-002	ORC 5705.10 - Negative cash fund balances for one fund.	Yes	Finding No Longer Valid
2004-003	ORC 5705.41(B) – Expenditures exceeding appropriations	No	Repeated As Finding 2006-004
2004-004	ORC 5705.14, 5705.15, and 5705.16 – Making transfers without proper approval.	No	Repeated as Finding 2006-001
2004-005	Improper posting of various classes of receipts.	No	Repeated as Finding 2006-006
2004-006	Unencumbered cash balances on the Certificate of Estimated Resources did not agree to prior year unencumbered balances in the Village's general ledger.	No	Repeated as Finding 2006-005



**Mary Taylor, CPA**  
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  
DECEMBER 6, 2007**