



**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2002 & 2001



**Auditor of State
Betty Montgomery**

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

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, 2002 and December 31, 2001. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 11 to the accompanying financial statements, the Village restated the Agency fund balance at January 1, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

This report is intended solely for the information and use of the Audit Committee, management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 2, 2003

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$1,660,630	\$75,755	\$88,938	\$0	\$19,058	\$1,844,381
Intergovernmental Receipts	316,893	46,506	11,582	0	2,482	377,463
Charges for Services	0	9,722	0	0	0	9,722
Fines, Licenses, and Permits	220,373	24,515	0	0	0	244,888
Earnings on Investments	30,110	0	0	0	0	30,110
Miscellaneous	93,917	13,225	0	1,041	750	108,933
Total Cash Receipts	<u>2,321,923</u>	<u>169,723</u>	<u>100,520</u>	<u>1,041</u>	<u>22,290</u>	<u>2,615,497</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	1,037,996	41,714	0	0	116,700	1,196,410
Public Health Services	4,247	0	0	0	0	4,247
Leisure Time Activities	0	25,155	0	0	0	25,155
Community Environment	72,795	0	0	0	0	72,795
Basic Utility Services	88,212	18,424	0	0	0	106,636
Transportation	906,717	63,784	0	0	0	970,501
General Government	932,521	44,368	0	0	0	976,889
Debt Service:						
Principal Payments	0	0	47,736	300,000	0	347,736
Interest Payments	0	0	47,630	7,325	0	54,955
Capital Outlay	44,392	0	0	892,339	0	936,731
Total Cash Disbursements	<u>3,086,880</u>	<u>193,445</u>	<u>95,366</u>	<u>1,199,664</u>	<u>116,700</u>	<u>4,692,055</u>
Total Receipts Over/(Under) Disbursements	<u>(764,957)</u>	<u>(23,722)</u>	<u>5,154</u>	<u>(1,198,623)</u>	<u>(94,410)</u>	<u>(2,076,558)</u>
	0					
Other Financing Receipts and (Disbursements):						
Sale of Note	0	0	0	300,000	0	300,000
Issue II Loan Proceeds	0	0	0	542,050	0	542,050
Transfers-In	0	0	0	0	67,611	67,611
Transfers-Out	(67,611)	0	0	0	0	(67,611)
Total Other Financing Receipts/(Disbursements)	<u>(67,611)</u>	<u>0</u>	<u>0</u>	<u>842,050</u>	<u>67,611</u>	<u>842,050</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(832,568)</u>	<u>(23,722)</u>	<u>5,154</u>	<u>(356,573)</u>	<u>(26,799)</u>	<u>(1,234,508)</u>
Fund Cash Balances, January 1, 2002	<u>2,012,598</u>	<u>165,371</u>	<u>214,304</u>	<u>356,968</u>	<u>2,569</u>	<u>2,751,810</u>
Fund Cash Balances, December 31, 2002	<u>\$1,180,030</u>	<u>\$141,649</u>	<u>\$219,458</u>	<u>\$395</u>	<u>(\$24,230)</u>	<u>\$1,517,302</u>
Reserves for Encumbrances, December 31, 2002	<u>\$90,253</u>	<u>\$1,775</u>	<u>\$0</u>	<u>\$3,663</u>	<u>\$0</u>	<u>\$95,691</u>

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

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	Fiduciary Fund Type
	Agency
Non-Operating Cash Receipts:	
Mayor's Court	297,372
Total Non-Operating Cash Receipts	297,372
Non-Operating Cash Disbursements:	
Mayor's Court	290,846
Total Non-Operating Cash Disbursements	290,846
Non-Operating Income/(Loss)	6,526
Fund Cash Balances, January 1, 2002	134,250
Fund Cash Balances, December 31, 2002	\$140,776
Reserve for Encumbrances, December 31, 2002	\$0

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 AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$1,863,345	\$71,342	\$105,289	\$0	\$17,548	\$2,057,524
Intergovernmental Receipts	1,109,951	44,622	14,610	0	2,435	1,171,618
Charges for Services	0	12,744	0	0	0	12,744
Fines, Licenses, and Permits	208,379	21,782	0	0	0	230,161
Earnings on Investments	89,537	637	0	0	0	90,174
Miscellaneous	135,579	1,750	0	2,025	0	139,354
Total Cash Receipts	<u>3,406,791</u>	<u>152,877</u>	<u>119,899</u>	<u>2,025</u>	<u>19,983</u>	<u>3,701,575</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	988,563	27,811	0	0	105,995	1,122,369
Public Health Services	3,861	0	0	0	0	3,861
Leisure Time Activities	0	73,180	0	0	0	73,180
Community Environment	50,143	0	0	0	0	50,143
Basic Utility Services	85,317	22,747	0	0	0	108,064
Transportation	777,139	46,949	0	0	0	824,088
General Government	853,699	12,656	0	0	0	866,355
Debt Service:						
Principal Payments	0	0	62,735	150,000	0	212,735
Interest Payments	0	0	50,608	7,200	0	57,808
Capital Outlay	0	0	0	207,623	0	207,623
Total Cash Disbursements	<u>2,758,722</u>	<u>183,343</u>	<u>113,343</u>	<u>364,823</u>	<u>105,995</u>	<u>3,526,226</u>
Total Receipts Over/(Under) Disbursements	<u>648,069</u>	<u>(30,466)</u>	<u>6,556</u>	<u>(362,798)</u>	<u>(86,012)</u>	<u>175,349</u>
Other Financing Receipts and (Disbursements):						
Sale of Notes	0	0	0	300,000	0	300,000
Transfers-In	0	4,262	0	454,878	87,000	546,140
Transfers-Out	(546,140)	0	0	0	0	(546,140)
Total Other Financing Receipts/(Disbursements)	<u>(546,140)</u>	<u>4,262</u>	<u>0</u>	<u>754,878</u>	<u>87,000</u>	<u>300,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>101,929</u>	<u>(26,204)</u>	<u>6,556</u>	<u>392,080</u>	<u>988</u>	<u>475,349</u>
Fund Cash Balances, January 1, 2001	<u>1,910,669</u>	<u>191,575</u>	<u>207,748</u>	<u>(35,112)</u>	<u>1,581</u>	<u>2,276,461</u>
Fund Cash Balances, December 31, 2001	<u>\$2,012,598</u>	<u>\$165,371</u>	<u>\$214,304</u>	<u>\$356,968</u>	<u>\$2,569</u>	<u>\$2,751,810</u>
Reserves for Encumbrances, December 31, 2001	<u>\$68,669</u>	<u>\$0</u>	<u>\$0</u>	<u>\$182,067</u>	<u>\$0</u>	<u>\$250,736</u>

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

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Non-Operating Cash Receipts:	
Mayor's Court	<u>211,069</u>
Total Non-Operating Cash Receipts	<u>211,069</u>
Non-Operating Cash Disbursements:	
Mayor's Court	<u>206,057</u>
Total Non-Operating Cash Disbursements	<u>206,057</u>
Non-Operating Income/(Loss)	<u>5,012</u>
Fund Cash Balances, January 1, 2001 (Restated)	<u>129,238</u>
Fund Cash Balances, December 31, 2001	<u><u>\$134,250</u></u>

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

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Bratenahl, Cuyahoga County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. 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 provide fire protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

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

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of bond indebtedness and Ohio Public Work loans.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Village had the following significant capital project funds:

SidewalkPhase 2 - This fund receives transfers, note proceeds, and Ohio Public Work loan proceeds. The proceeds are used for the installation/upgrade of Village sidewalks.

Water Main/Street Reconstruction Fund - This fund is used to account for the Burton Avenue Improvement project.

5. Fiduciary Funds (Expendable Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Expendable Trust Fund

Police Disability and Pension Fund – This fund is used to account for the employer portion of the Police Disability Pension Fund contribution.

Agency Fund

Mayor's Court Fund – This fund is used to account for activities for the Village 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, and appropriations may not exceed estimated resources. The 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, 2002 AND 2001
(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 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. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

H. Total Columns

Total columns on the financial statements are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$657,178	\$360,160
Certificates of deposit	\$1,000,000	\$2,525,000
Petty Cash	900	900
Total deposits	1,658,078	2,886,060

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

Investments: The Village held no investments during the audit period.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,347,230	\$2,321,923	(\$25,307)
Special Revenue	133,454	169,723	36,269
Debt Service	97,126	100,520	3,394
Capital Projects	1,117,475	843,091	(274,384)
Expendable Trust	150,813	89,901	(60,912)
Total	\$3,846,098	\$3,525,158	(\$320,940)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,390,974	\$3,244,744	\$146,230
Special Revenue	310,000	195,220	114,780
Debt Service	150,000	95,366	54,634
Capital Projects	1,354,628	1,203,327	151,301
Expendable Trust	120,000	116,700	3,300
Total	\$5,325,602	\$4,855,357	\$470,245

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,370,321	\$3,406,791	\$1,036,470
Special Revenue	68,700	157,139	88,439
Debt Service	121,100	119,899	(1,201)
Capital Projects	722,200	756,903	34,703
Expendable Trust	139,773	106,983	(32,790)
Total	\$3,422,094	\$4,547,715	\$1,125,621

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,284,435	\$3,373,531	(\$89,096)
Special Revenue	337,237	183,343	153,894
Debt Service	115,530	113,343	2,187
Capital Projects	172,200	546,890	(374,690)
Expendable Trust	114,000	105,995	8,005
Total	\$4,023,402	\$4,323,102	(\$299,700)

Budgetary Activity/Compliance

- A. Contrary to Ohio Rev. Code Sections 5705.41 (B) & (D), the Village's expenditures plus encumbrances exceeded appropriations at the legal level of budgetary control as of December 31, 2002 for the General Fund transfers out, extra legal expense, and streets expense accounts by \$67,611, \$6,158, and \$6,988, respectively. The Village's expenditures plus encumbrances exceeded appropriations at the legal level of budgetary control as of December 31, 2001 for the General Fund transfers out by \$546,140 and for the Sidewalks Phase 2 Fund by \$389,690.
- B. Contrary to Ohio Rev. Code Section 5705.39, appropriations exceeded estimated resources as of December 31, 2002 for the Parks and Recreation Fund by \$19,650.
- C. Contrary to Ohio Rev. Code Section 5705.10 the Village carried a deficit fund balance of \$24,230 in its Police Disability and Pension Expendable Trust Fund as of December 31, 2002. As of July 31, 2001, the Village carried a deficit fund balance of \$47,678 in its Lake Shore Resurfacing Capital Projects Fund. The deficit fund balance for the Lake Shore Resurfacing Capital Projects Fund was corrected by the Village through a transfer from the General Fund in August 2001.
- D. Contrary to Ohio Revised Code 5705.41 (D), the Village did not properly certify the availability of funds.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX (Continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property with 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's tax collection agent, the Central Collection Agency, City of Cleveland, monthly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Work Commission Loans	\$745,824	0.00%
General Obligation Bonds - Lakeshore Boulevard Improvements	800,000	5.40%
Street Improvement Note Series 2002	<u>300,000</u>	1.90%
Total	<u><u>\$1,845,824</u></u>	

The proceeds of the General Obligation Lakeshore Boulevard Improvement Bond, issued in 1996, were used for the purpose of improving Lakeshore Boulevard and Bratenahl Road. The proceeds from the \$300,000 Street Improvement Notes, Series 2002, 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 and the OPWC loans are being paid from the Debt Service Fund and the Street Improvement Notes are being paid from the Sidewalk Phase 2 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. The General Obligation Bond is collateralized by the Village's taxing authority.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	OPWC Loans	General Obligation Bonds	Street Improvement Notes
2003	\$19,919	\$85,210	\$305,700
2004	39,838	83,050	0
2005	39,838	85,890	0
2006	39,838	83,460	0
2007	39,838	86,030	0
2008 – 2012	199,192	422,230	0
2013 – 2017	199,192	339,356	0
2018 – 2022	154,616	0	0
2023	13,553	0	0
Total	<u>\$745,824</u>	<u>\$1,185,226</u>	<u>\$305,700</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Law Enforcement Liability
- Blanket Employee Dishonesty

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

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

9. CONTINGENT LIABILITIES

The Village was named as a defendant in several lawsuits. Management does not believe the ultimate resolution of those cases will have material impact on the financial statements of the Village as of December 31, 2002 and further that the Village has adequate liability insurance and State of Ohio Worker's Compensation coverage to protect itself against any material loss.

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 100 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 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 2002 or 2001. Financial information can be obtained by contacting Dan DiLiberto, Chairman of the Board, 1615 Clark Avenue, Cleveland, Ohio 44109.

11. RESTATEMENT OF FUND BALANCE

The January 1, 2001 Agency Fund balance was restated by \$26,127, from \$103,111 to \$129,238, to record the previously unrecorded Mayor's Court Bail Bond Account.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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, 2002 and December 31, 2001, and have issued our report thereon dated April 2, 2003, wherein we noted the Village restated the Agency Fund balance at January 1, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-30818-001 through 2002-30818-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 2, 2003.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. The reportable conditions involve matters coming to our attention relating to a significant deficiency in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2002-30818-006 and 2002-30818-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 2, 2003.

This report is intended solely for the information and use of the Audit Committee, management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 2, 2003

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

Finding Number	2002-30818-001
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During the fiscal years 2002 and 2001, the Village of Bratenahl Treasurer and/or the Village Councilman incorrectly paid sales tax on purchases from SBC Global, \$81.90, Home Depot, \$42.09 and Survivalink, \$423.23, totaling \$547.22.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. The Village of Bratenahl is a tax-exempt governmental entity and therefore the aforementioned sales tax payments did not serve a proper public purpose.

In accordance with the forgoing facts, and pursuant to the Ohio Revised Code Section 117.28, a Finding for Recovery for public monies improperly expended is hereby issued against Sarah Kesselem, Village Treasurer, and Village Council Members Mary Beckenbach, Chuck Bednar, David Dornback, Helen Moss, Lynne Woodman and Donna Bloom-Schwartz, jointly and severally, in the amount noted above and in favor of the Village of Bratenahl.

On March 19, 2003, a credit was received from Survivalink in the amount of \$423.23. On March 31, 2003, a credit was received from SBC in the amount of \$81.90 and on April 2, 2003, a payment of \$42.09 was received from Sarah Kesselem, Village Treasurer. A total of \$547.22 was either received or credited to the Village vendor accounts as of April 2, 2003. We recommend the Village develop and implement control procedures over expenditures which will enable the Village Treasurer and Council to detect billing errors during the performance of their duties in a timely manner.

Finding Number	2002-30818-002
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Ohio Rev. Code Section 5705.41(D) states, in part, that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides two exceptions to the above requirements:

- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
- If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

There were 53 out of 60 expenditures reviewed in which the expenditure commitment was entered into prior to receiving the Fiscal Officer's certification and neither exception listed above applied.

This weakness could allow expenditures to exceed the total available fund balance(s), appropriations and/or the current year revenues. This could result in a negative fund balance(s).

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

Finding Number (Continued)	2002-30818-002
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The Village was aware of these requirements, however failed to implement them.

We recommend the Village properly certify the availability of funds for any orders or contracts involving the expenditure of money to ensure compliance with this requirement. Where prior certification is not feasible, we encourage the Village to utilize then and now certificates or blanket certificates.

Finding Number	2002-30818-003
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Ohio Rev. Code Section 5705.10 states money paid into any fund shall be used only for the purposes for which that fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. As of December 31, 2002, the Village carried a deficit fund balance of \$24,230 in its Police Disability and Pension Expendable Trust Fund. As of July 31, 2001, the Village carried a deficit fund balance of \$47,678 in its Lake Shore Resurfacing Capital Projects Fund. The deficit fund balance for the Lake Shore Resurfacing Capital Projects Fund was corrected by the Village through a transfer from the General Fund in August 2001.

The deficit fund balances were the result of the Village improperly determining appropriations and not recording all receipts and expenditures to the cash journal.

The Village must post the required adjustment to their financial records and transfer the funds necessary from the General Fund to alleviate the deficit fund balance in the Police Disability and Pension Expendable Trust Fund.

Finding Number	2002-30818-004
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Ohio Rev. Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditures from a fund. In addition, Ohio Rev. Code Section 5705.40 requires that any appropriation measure to be amended or supplemented provided the Village complies with the same provisions of the law as are used in making the original appropriation. The following fund had appropriations in excess of the amount certified as available by the Budget Commission as of December 31, 2002:

<u>Fund</u>	<u>Total Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Parks and Recreation	\$129,350	\$149,000	(\$19,650)

This weakness could allow expenditures in the above fund to exceed the total of the available fund balance and current year revenues. This could result in a negative fund balance.

The Village was aware of this requirement, but its control procedures failed to prevent or detect the non-compliance in this instance.

We recommend the Village compare current year appropriations to total certified resources, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at a minimum.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

Finding Number	2002-30818-005
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Ohio Rev. Code Sections 5705.41(B) & (D) prohibits a subdivision or taxing unit from making an expenditure or an expenditure plus encumbrances unless it has been properly appropriated. The following funds or accounts had expenditures plus encumbrances exceeding appropriations:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
<u>As of December 31, 2002:</u>			
General Fund – Transfers Out	0	67,611	(67,611)
General Fund - Extra Legal Expense	50,000	56,158	(6,158)
General Fund - Streets Expense	35,000	41,988	(6,988)
<u>As of December 31, 2001:</u>			
General Fund – Transfers Out	\$ 0	\$546,140	(\$546,140)
Sidewalks Phase 2	\$ 0	\$389,690	(\$389,690)

This weakness could allow expenditures in the above funds or accounts to exceed the total of the available fund balance, the appropriation account and/or the current year revenues. This also increases the risk of negative fund balances.

The Village was aware of these requirements, but its control procedures failed to prevent or detect the non-compliance in these instances.

We recommend the Village compare appropriations to expenditures plus encumbrances at the legal level of control in all funds to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at a minimum.

Finding Number	2002-30818-006
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The Village should maintain an appropriation ledger which should contain a separate appropriation account for each appropriation amount. An amount should be posted to each appropriation account equal to the amount appropriated for that account in the annual appropriation ordinance(s). Each encumbrance or expenditure charged against an appropriation account should be posted and subtracted from the appropriated balance producing a declining unencumbered balance. This procedure is to be initiated by an executed purchase order. The Village did not maintain a properly completed appropriation ledger and they did not use purchase orders for the majority of transactions during the audit period. Where purchase orders were employed, the encumbered amount was not always posted to the appropriations ledger.

These weaknesses could allow expenditures to exceed the total of the available fund balance, appropriations and/or the current year revenues.

We recommend the Village maintain a complete appropriation ledger and use purchase orders for all transactions to assist in monitoring expenditure activities and to ensure compliance with the Ohio Revised Code.

VILLAGE OF BRATENAHL
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)

Finding Number	2002-30818-007
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The Village mis-classified and mis-posted tax receipts, intergovernmental receipts, transfers and various other receipts and expenditures to the Village receipt and expenditure ledgers and to the annual financial reports submitted to the Auditor of State for Fiscal Years 2002 & 2001. Additionally, the Village did not include the Mayor's Court activity nor the Lakeshore Resurfacing Capital Project Fund on their annual financial reports. These errors and practices resulted in several audit adjustments, additional accounting services, and inaccurate receipt, expenditures and monthly cash fund balances submitted to Council and the State of Ohio.

The Village is currently working to install the Uniform Accounting Network (UAN) for Fiscal Year 2003 to help alleviate risks of mis-postings and to establish better defined receipt and expenditure accounts.

We recommend the Village take the necessary steps to ensure that receipts, expenditures and transfers are accounted for and are properly classified when recorded in the Village's ledgers and on the annual financial reports submitted to the Auditor of State. Additionally, the Court receipt and expenditure activity should be recorded as an Agency Fund on the annual financial report and transfers in should equal transfers out.

**VILLAGE OF BRATENAHL
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 and 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30818-001	Revised Code 5705.41 (B) & (D), Expenditures plus encumbrances exceed appropriations.	No	Not corrected – Reissued as 2002-30818-005
2000-30818-002	Revised Code 5705.41(D), Failure to certify funds.	No	Not corrected – Reissued as 2002-30818-002
2000-30818-003	Revised Code 5705.10, Negative fund balances.	No	Partially corrected, Lake Shore Resurfacing negative fund balance was corrected in August 2001 by the Village – Reissued as 2002-30818-003
2000-30818-004	Ohio Admin. Code 117-2-02, maintaining a complete appropriation ledger.	No	Not corrected. – Reissued as a reportable condition 2002-30818-006 since Ohio Admin Code does not require an appropriation ledger to be completed.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF BRATENAHL

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2003**