



Mary Taylor, CPA
Auditor of State

VILLAGE OF BRADFORD
MIAMI COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Bradford
Miami County
115 N. Miami Street
Bradford, Ohio 45308

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.

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Mary Taylor, CPA
Auditor of State

July 28, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Bradford
Miami County
115 N. Miami Street
Bradford, Ohio 45308

To the Village Council:

We have audited the accompanying financial statements of Village of Bradford, Miami County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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. 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 Villages 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, 2009 and 2008 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, 2009 and 2008, 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 of Village of Bradford, Miami County, as of December 31, 2009 and 2008, 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 July 28, 2010, 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.

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

Mary Taylor, CPA
Auditor of State

July 28, 2010

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$25,092	\$152,095		\$177,187
Municipal Income Tax	212,499			212,499
Intergovernmental	102,607	239,507		342,114
Special Assessments		44,026		44,026
Charges for Services			\$390	390
Fines, Licenses and Permits	22,455	292		22,747
Earnings on Investments	897	698		1,595
Miscellaneous	1,997	5,238		7,235
Total Cash Receipts	<u>365,547</u>	<u>441,856</u>	<u>390</u>	<u>807,793</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	150,179	90,952		241,131
Leisure Time Activities	40,583			40,583
Transportation		277,630		277,630
General Government	224,298	2,400		226,698
Debt Service:				
Redemption of Principal		38,200		38,200
Capital Outlay			10,680	10,680
Total Cash Disbursements	<u>415,060</u>	<u>409,182</u>	<u>10,680</u>	<u>834,922</u>
Total Receipts Over/(Under) Disbursements	<u>(49,513)</u>	<u>32,674</u>	<u>(10,290)</u>	<u>(27,129)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		5,137		5,137
Transfers-Out		(5,137)		(5,137)
Other Financing Sources	470			470
Total Other Financing Receipts / (Disbursements)	<u>470</u>			<u>470</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(49,043)	32,674	(10,290)	(26,659)
Fund Cash Balances, January 1	<u>186,424</u>	<u>93,960</u>	<u>(16,984)</u>	<u>263,400</u>
Fund Cash Balances, December 31	<u>\$137,381</u>	<u>\$126,634</u>	<u>(\$27,274)</u>	<u>\$236,741</u>

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

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$732,576		\$732,576
Miscellaneous	1,900		1,900
Total Operating Cash Receipts	<u>734,476</u>		<u>734,476</u>
Operating Cash Disbursements:			
Personal Services	205,219		205,219
Contractual Services	197,344		197,344
Supplies and Materials	103,882		103,882
Total Operating Cash Disbursements	<u>506,445</u>		<u>506,445</u>
Operating Income	<u>228,031</u>		<u>228,031</u>
Non-Operating Cash Receipts:			
Special Assessments	1,282		1,282
Total Non-Operating Cash Receipts	<u>1,282</u>		<u>1,282</u>
Non-Operating Cash Disbursements:			
Capital Outlay	84,331		84,331
Redemption of Principal	176,632		176,632
Interest and Other Fiscal Charges	35,805		35,805
Total Non-Operating Cash Disbursements	<u>296,768</u>		<u>296,768</u>
Net Receipts (Under) Disbursements	(67,455)		(67,455)
Fund Cash Balances, January 1	<u>586,204</u>	<u>\$1,201</u>	<u>587,405</u>
Fund Cash Balances, December 31	<u>\$518,749</u>	<u>\$1,201</u>	<u>\$519,950</u>

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

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$24,352	\$152,679		\$177,031
Municipal Income Tax	261,383			261,383
Intergovernmental	143,285	303,275		446,560
Special Assessments		52,076		52,076
Charges for Services			\$420	420
Fines, Licenses and Permits	4,353	637		4,990
Earnings on Investments	7,855	3,030		10,885
Miscellaneous	17,517	1,534		19,051
Total Cash Receipts	<u>458,745</u>	<u>513,231</u>	<u>420</u>	<u>972,396</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	147,028	75,004		222,032
Leisure Time Activities	52,143			52,143
Transportation		563,348		563,348
General Government	279,035	4,446	19,930	303,411
Debt Service:				
Redemption of Principal		35,424		35,424
Total Cash Disbursements	<u>478,206</u>	<u>678,222</u>	<u>19,930</u>	<u>1,176,358</u>
Total Receipts (Under) Disbursements	<u>(19,461)</u>	<u>(164,991)</u>	<u>(19,510)</u>	<u>(203,962)</u>
Other Financing Receipts:				
Other Financing Sources	628			628
Total Other Financing Receipts	<u>628</u>			<u>628</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(18,833)	(164,991)	(19,510)	(203,334)
Fund Cash Balances, January 1	<u>205,257</u>	<u>258,951</u>	<u>2,526</u>	<u>466,734</u>
Fund Cash Balances, December 31	<u>\$186,424</u>	<u>\$93,960</u>	<u>(\$16,984)</u>	<u>\$263,400</u>

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

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$711,075		\$711,075
Fines, Licenses and Permits	154,500		154,500
Miscellaneous	2,445	\$1,500	3,945
Total Operating Cash Receipts	<u>868,020</u>	<u>1,500</u>	<u>869,520</u>
Operating Cash Disbursements:			
Personal Services	206,725		206,725
Contractual Services	200,387		200,387
Supplies and Materials	147,379		147,379
Total Operating Cash Disbursements	<u>554,491</u>		<u>554,491</u>
Operating Income	<u>313,529</u>	<u>1,500</u>	<u>315,029</u>
Non-Operating Cash Receipts:			
Intergovernmental	31,007		31,007
Special Assessments	1,008		1,008
Other Non-Operating Cash Receipts	455		455
Total Non-Operating Cash Receipts	<u>32,470</u>		<u>32,470</u>
Non-Operating Cash Disbursements:			
Capital Outlay	67,623		67,623
Redemption of Principal	175,195		175,195
Interest and Other Fiscal Charges	39,457		39,457
Other Non-Operating Cash Disbursements		1,500	1,500
Total Non-Operating Cash Disbursements	<u>282,275</u>	<u>1,500</u>	<u>283,775</u>
Net Receipts Over Disbursements	63,724		63,724
Fund Cash Balances, January 1	<u>522,480</u>	<u>1,201</u>	<u>523,681</u>
Fund Cash Balances, December 31	<u><u>\$586,204</u></u>	<u><u>\$1,201</u></u>	<u><u>\$587,405</u></u>

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

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 Bradford, Miami County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and park operations. The Village contracts with the Miami County Sheriff's department to provide security of persons and property. The Village appropriates fire levy money to support a volunteer fire department.

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. Deposits and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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:

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

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street Light Fund – This fund receives funds from assessments on street lights in the Village.

Fire Levy Fund – This fund receives funds through taxes to pay for fire protection for the Village.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Equipment Fund – This fund was established to set aside funds to purchase equipment.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Refuse Fund - This fund receives charges for services from residents to cover cost of refuse service costs.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. The Village had no trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court Fund. This fund receives revenue from fines and fees issued by the Mayor's Court and then distributed to other governments.

E. Budgetary Process

The Ohio Revised Code requires that each fund 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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 re-appropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plan, 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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2009	2008
Demand deposits	\$571,605	\$666,229
STAR Ohio	185,086	184,576
Total deposits and investments	\$756,691	\$850,805

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 370,078	\$ 366,017	(\$ 4,061)
Special Revenue	433,685	446,993	13,308
Capital Projects		390	390
Enterprise	767,500	735,758	(31,742)
Fiduciary			
Total	\$1,571,263	\$1,549,158	(\$22,105)

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 508,467	\$ 415,060	\$93,407
Special Revenue	526,714	414,319	112,395
Capital Projects	34,397	10,680	23,717
Enterprise	1,351,203	803,213	547,990
Fiduciary	650		650
Total	<u>\$2,421,431</u>	<u>\$1,643,272</u>	<u>\$778,159</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 363,817	\$ 459,373	\$95,556
Special Revenue	667,098	513,231	(153,867)
Capital Projects		420	420
Enterprise	864,500	900,490	35,990
Fiduciary	1,500	1,500	
Total	<u>\$1,896,915</u>	<u>\$1,875,014</u>	<u>(\$21,901)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 569,073	\$ 478,206	\$ 90,867
Special Revenue	865,870	678,222	187,648
Capital Projects	62,705	19,930	42,775
Enterprise	1,386,980	836,766	550,214
Fiduciary	2,150	1,500	650
Total	<u>\$2,886,778</u>	<u>\$2,014,624</u>	<u>\$872,154</u>

Contrary to Ohio law, at December 31, 2009, the appropriations exceeded the available resources in the Mayor's Court Computer Fund by \$358; Equipment Fund by \$50,991; Sewer Fund by \$32,620; and Refuse Fund by \$243. At December 31, 2008, the appropriations exceeded the available resources in the Street Maintenance Fund by \$97,267; Mayor's Court Computer Fund by \$363; Equipment Fund by \$59,759; Water Fund by \$3,965; and Refuse Fund by \$822. The Equipment Fund, at December 31, 2009 and 2008, had a negative fund balance of \$27,274 and \$16,984, respectively. The Village did not properly prior certify the availability funds in 2009 and 2008.

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.

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. PROPERTY TAX (Continued)

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

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

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan (#3572)	\$ 425,325	4.84%
Ohio Water Development Authority Loan (#8027)	119,258	6.04%
Ohio Water Development Authority Loan (#2693)	249,894	2.00%
Ohio Water Development Authority Loan (#4135)	198,116	0%
Ohio Water Development Authority Loan (#4430)	857,250	0%
Ohio Public Works Commission Loan (CK333)	37,500	0%
Ohio Public Works Commission Loan (CT34H)	36,000	0%
Ohio Public Works Commission Loan (CT221)	87,500	0%
Ohio Public Works Commission Loan (CT23J)	103,141	0%
Total	<u>\$2,113,984</u>	

The Ohio Water Development Authority (OWDA) and the Ohio Public Works Commission (OPWC) loans relate to water and sewer plant improvements that are mandated by Ohio Environmental Protection Agency and reconstruction of streets. OWDA and OPWC loans will be repaid in semiannual installments, including interest, over twenty years. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

<u>Year ending December 31:</u>	<u>OPWC Principal</u>	<u>OWDA Principal</u>	<u>OWDA Interest</u>	<u>Total</u>
2010	\$ 25,325	\$ 194,933	\$ 32,036	\$ 252,294
2011	25,325	198,842	28,128	252,295
2012	25,325	151,364	24,112	200,801
2013	12,825	102,554	21,427	136,806
2014	12,825	104,811	19,169	136,805
2015-2019	64,126	494,308	61,408	619,842
2020-2024	64,126	453,766	16,984	534,876
2025-2028	34,264	149,265		183,529
Total	<u>\$264,141</u>	<u>\$1,849,843</u>	<u>\$203,264</u>	<u>\$2,317,248</u>

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009, with the exception of \$48 of employer liability.

8. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2008 and 2007 (the latest information available):

	2008	2007
Assets	\$2,552,519	\$ 2,405,834
Liabilities	(2,814,306)	(2,877,385)
Accumulated deficit	(\$ 261,787)	(\$ 471,551)

9. NONCOMPLIANCE

The Village failed to properly classify various transactions in its books and properly present its annual report as required by law.



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 Bradford
Miami County
115 N. Miami Street
Bradford, Ohio 45308

To the Village Council:

We have audited the financial statements of the Village of Bradford, Miami County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 28, 2010, wherein we noted the Village prepared its financial statement using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-002 and 2009-003 described in the accompanying schedule of findings to be material weaknesses.

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 we must report under *Government Auditing Standards* that are reported in the accompanying Schedule of Findings as items 2009-001 through 2009-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 28, 2010.

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 management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 28, 2010

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10, requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

Negative fund balances indicate that the resources of a specified fund were used for the purpose a different fund's purpose.

The Village improperly posted interest revenue to the Equipment fund during 2009 and 2008 resulting in audit adjustments. As a result of the audit adjustments and expenditure activity within the fund during the audit period, the Equipment Fund had a negative fund balance of \$27,274 at December 31, 2009, and \$16,984 at December 31, 2008. This fund was subsequently closed through a county court order in 2010.

The Village Clerk and Council should review the fund balances each month and implement procedures such as advancing funds from the General fund to other funds as necessary to avoid negative fund balances.

Officials' Response:

The equipment fund has been eliminated from the Village budget

FINDING NUMBER 2009-002

Noncompliance Citation / Material Weakness

Ohio Rev. Code Section 733.28 requires the clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village did not properly classify receipt and disbursement transactions. The following errors were noted on the Village's annual reports:

- The 2008 annual report presented the Equipment Fund within the Special Revenue Fund instead of as a Capital Projects Fund. Adjustments were made to present the financial statements accurately.
- The 1/1/08 beginning balances of the General Fund, Equipment Fund, Street Maintenance Fund, Agency Fund and Sewer Fund did not agree to the audited 12/31/07 balances resulting in adjustments. The General fund balance was understated \$40,180; Equipment fund balance was overstated \$40,179; Street Maintenance Fund balance was overstated \$2,500; Agency fund balance was understated \$551 and the Sewer fund balance was understated \$2,500.
- The Village received FEMA funds of \$5,137 in 2009 and incorrectly posted the revenue to the General Fund. Per AOS Bulletin 98-013, this grant should have been classified as intergovernmental revenue in a separate FEMA Fund within the Special Revenue Fund. The funds then should have reimbursed the Street Maintenance Fund which originally incurred the expenses related to the event for which the Village was receiving FEMA reimbursement. This resulted in adjustments to present the revenue and transfers to the Street Maintenance and FEMA Funds and to eliminate the revenue within the General fund.
- Cable franchise fees in amount of \$18,886 were incorrectly presented as miscellaneous revenue in 2009. These monies were reclassified as fees, licenses, and permits within the General Fund.

**FINDING NUMBER 2009-002
(Continued)**

- During 2009 and 2008, Ohio Department of Transportation Grant revenue of \$116,675 and \$190,836 and reimbursements of \$3,743 and \$109 were erroneously posted within the Street Maintenance Fund as Other Financing Sources instead of as Intergovernmental Revenue and Miscellaneous Revenue respectively.
- Principal and Interest payments were incorrectly posted as Other Debt Proceeds in the Water fund in the amounts of \$54,217 and \$29,356 for 2009, and \$52,509 and \$31,107 for 2008.
- Principal and Interest payments were incorrectly posted as Other Debt Proceeds in the Sewer fund in the amounts of \$122,415 and \$6,449 for 2009, and \$122,686 and \$8,350 for 2008.
- State homestead/rollbacks and tangible personal property reimbursements were incorrectly posted as taxes in the Fire Levy Fund during 2009 and 2008 in the amounts of \$10,422 and \$5,161; in the General fund during 2009 and 2008 in the amount of \$225 and \$872; and in the Street Maintenance fund during 2008 in the amount of \$676. These monies were reclassified as intergovernmental revenue.
- Sewer fund Tap In fees of \$154,500 and Ohio Water Development Authority grant funds of \$31,007 were incorrectly posted as Miscellaneous revenue instead of as Licenses, Permits, and Fees and Intergovernmental Revenue respectively.
- The Agency Fund in 2008 had \$1,500 of miscellaneous revenue incorrectly presented as other financing sources.
- Ohio Department of Natural Resources grant of \$28,696 and miscellaneous revenue of \$3,045 were erroneously posted within the General Fund during 2008 as other financing sources. This resulted in an understatement to Intergovernmental revenue and miscellaneous revenue.

The 2009 and 2008 annual reports required numerous audit adjustments and reclassifications for proper presentation. The adjustments are reflected on the audited financial statements. Failure to properly record financial activity results in misleading annual financial reports and could be misleading to users regarding the activity of the Village. The Village clerk-treasurer should review the Village Handbook for proper posting and use due care in preparation of the annual report. The Village clerk-treasurer should obtain assistance in determination of proper posting when necessary.

Officials' Response:

Will review adjustments made and determine what steps are necessary to make corrections moving forward.

FINDING NUMBER 2009-003

Noncompliance Citation/ Material Weakness

Ohio Rev. Code Section 135.21 provides for the allocation of interest among funds. Interest earned on monies deposited by a treasurer which do not belong in the treasury of the subdivision, due to their status as custodial funds, because he is acting as ex officio treasurer, or otherwise, generally must be appropriated to the funds to which the principal belongs (including undivided tax funds).

All interest earned must be credited to the general funds of the subdivision, with the following exceptions:

- Interest earned on money derived from a motor vehicle license or fuel tax must follow the principal (Article XII, Section 5a, Ohio Const and 1982 Op. Atty Gen No. 82-301).
- Interest earned on money received from the federal government may be due to the fund to which the principal belongs.

**FINDING NUMBER 2009-003
(Continued)**

In 2008, the Village posted all interest earned to the Equipment Fund (Capital Projects Fund) and to the General and Equipment funds for 2009, which was contrary to the above statute. This resulted in an overstatement of Interest Revenue to the General fund by \$698, and an understatement of Interest Revenue to the Street Maintenance Fund and State Highway funds in the amounts of \$650 and \$48, respectively, in 2009. For 2008, this resulted in an understatement of Interest Revenue in the General, Street Maintenance, and State Highway funds of \$7,855, \$2,968, and \$62 respectively; and an overstatement to Equipment fund Interest Revenue of \$10,885. To assure compliance with this provision, the Village should implement procedures to allocate the proper amount of interest among funds. The financial statements have been adjusted to reflect the proper allocation of interest earnings to the General Fund and gas tax funds (Street Maintenance Fund and State Highway Fund) in 2009 and 2008.

Officials' Response:

With the elimination of the equipment fund, interest is now being posted to the general fund. After reading this citation, I will make the necessary steps to record to the street and state highway funds as well.

FINDING NUMBER 2009-004

Noncompliance Citation

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

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

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

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2009-004
(Continued)**

- 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 one line item appropriation.

The Village of Bradford did not properly certify the availability of funds prior to purchase commitment for any of the expenditures tested and the exceptions listed above were not utilized. The failure to properly certify the availability of funds can result in overspending 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 that the Village's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

Due to the size of the Village, we have always addressed all needs for expenditure in a detailed budget at the beginning of each fiscal year. The Administrator and Clerk will need to review how the implementation of the required PO's can be easily implemented in order to comply with revised code requirement.

FINDING NUMBER 2009-005

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Rev. Code Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Ohio Rev. Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

**FINDING NUMBER 2009-005
 (Continued)**

The following funds had actual available resources (Actual Revenues plus Unencumbered Balance) below the current level of appropriation at December 31, 2009:

<u>Fund</u>	<u>Appropriations</u>	<u>Available Resources</u>	<u>Variance</u>
Mayor's Court Computer Fund	\$ 2,762	\$ 2,404	(\$ 358)
Equipment Fund	34,397	(16,594)	(50,991)
Sewer Fund	655,706	623,086	(32,620)
Refuse Fund	198,658	198,415	(243)

The following fund had actual available resources (Actual Revenues plus Unencumbered Balance) below the current level of appropriations at December 31, 2008:

<u>Fund</u>	<u>Appropriations</u>	<u>Available Resources</u>	<u>Variance</u>
Street Maintenance Fund	\$760,114	\$662,847	(\$97,267)
Mayor's Court Computer Fund	6,921	6,558	(363)
Equipment Fund	62,705	2,946	(59,759)
Water Fund	532,403	528,438	(3,965)
Refuse Fund	203,265	202,443	(822)

The Village should monitor estimated and actual revenues throughout the year and obtain an amended certificate if revenues are going to significantly vary from the original estimate to prevent over-appropriating available resources.

Officials' Response:

We begin monitoring the revenue received more closely.

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Numerous adjustments to financial statements	No	Not Corrected. Issued Ohio Rev. Code Section 733.28 – Finding Number 2009-002.
2007-002	Ohio Rev. Code Section 135.21 lack of proper interest allocation	No	Not Corrected. Reissued as Finding Number 2009-003.
2007-003	Ohio Rev. Code Section 9.38 timely deposits	Yes	
2007-004	Ohio Rev. Code Section 5705.41(d) prior certification of funds	No	Not Corrected. Reissued as Finding Number 2009-004.
2007-005	Ohio Rev. Code Section 5705.39 appropriations in excess of estimated resources	Yes	
2007-006	OMB Circular A-133 Subpart C Section 320(a)&(b) failure to complete and submit Federal Single Audit data collection form	Yes	Finding No Longer Valid.



Mary Taylor, CPA
Auditor of State

VILLAGE OF BRADFORD

MIAMI 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
AUGUST 31, 2010**