



Dave Yost • Auditor of State

VILLAGE OF BRADFORD
MIAMI COUNTY

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Dave Yost • Auditor of State

Village of Bradford
Miami County
115 North 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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Dave Yost
Auditor of State

October 29, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Bradford
Miami County
115 North Miami Street
Bradford, Ohio 45308

To the Village Council:

We have audited the accompanying financial statements of the Village of Bradford, Miami County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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 requires 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position or cash flows, where applicable 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 as of December 31, 2011 and 2010 of the Village of Bradford, Miami County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Bradford adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012, 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 29, 2012

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$24,735	\$150,721	\$175,456
Municipal Income Tax	142,105		142,105
Intergovernmental	101,218	117,836	219,054
Special Assessments		42,408	42,408
Fines, Licenses and Permits	20,954		20,954
Earnings on Investments	2,244		2,244
Miscellaneous	3,857	1,700	5,557
Total Cash Receipts	<u>295,113</u>	<u>312,665</u>	<u>607,778</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	137,684	76,143	213,827
Leisure Time Activities	10,243		10,243
Transportation		204,058	204,058
General Government	131,680		131,680
Debt Service:			
Redemption of Principal	34,791	38,162	72,953
Interest and Fiscal Charges	2,436		2,436
Total Cash Disbursements	<u>316,834</u>	<u>318,363</u>	<u>635,197</u>
Total Receipts (Under) Disbursements	<u>(21,721)</u>	<u>(5,698)</u>	<u>(27,419)</u>
Fund Cash Balances, January 1	<u>96,784</u>	<u>164,766</u>	<u>261,550</u>
Fund Cash Balances, December 31:			
Restricted		159,068	159,068
Unassigned (Deficit)	75,063		75,063
Fund Cash Balances, December 31	<u>\$75,063</u>	<u>\$159,068</u>	<u>\$234,131</u>

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

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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	\$732,307		\$732,307
Fines, Licenses and Permits	1,500		1,500
Miscellaneous	1,950		1,950
Total Operating Cash Receipts	<u>735,757</u>		<u>735,757</u>
Operating Cash Disbursements:			
Personal Services	199,174		199,174
Contractual Services	186,213		186,213
Supplies and Materials	73,389		73,389
Total Operating Cash Disbursements	<u>458,776</u>		<u>458,776</u>
Operating Income	<u>276,981</u>		<u>276,981</u>
Non-Operating Receipts (Disbursements):			
Miscellaneous Receipts	3,634		3,634
Capital Outlay	(47,569)		(47,569)
Principal Retirement	(182,096)		(182,096)
Interest and Other Fiscal Charges	(32,035)		(32,035)
Total Non-Operating Receipts (Disbursements)	<u>(258,066)</u>		<u>(258,066)</u>
Net Change in Fund Cash Balances	18,915		18,915
Fund Cash Balances, January 1	<u>496,214</u>	<u>\$1,201</u>	<u>497,415</u>
Fund Cash Balances, December 31	<u>\$515,129</u>	<u>\$1,201</u>	<u>\$516,330</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, 2010**

	<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	\$26,396	\$160,824		\$187,220
Municipal Income Tax	173,865			173,865
Intergovernmental	110,767	119,485		230,252
Special Assessments		46,019		46,019
Fines, Licenses and Permits	20,191	165		20,356
Earnings on Investments	1,436			1,436
Miscellaneous	2,329	728		3,057
Total Cash Receipts	<u>334,984</u>	<u>327,221</u>		<u>662,205</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	150,179	97,888		248,067
Leisure Time Activities	10,249			10,249
Transportation		153,001		153,001
General Government	148,217			148,217
Debt Service:				
Redemption of Principal	34,791	38,200		72,991
Interest and Fiscal Charges	4,871			4,871
Total Cash Disbursements	<u>348,307</u>	<u>289,089</u>		<u>637,396</u>
Total Receipts Over/(Under) Disbursements	<u>(13,323)</u>	<u>38,132</u>		<u>24,809</u>
Other Financing Receipts / (Disbursements):				
Transfers-In			\$27,274	27,274
Transfers-Out	(27,274)			(27,274)
Total Other Financing Receipts / (Disbursements)	<u>(27,274)</u>		<u>27,274</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(40,597)	38,132	27,274	24,809
Fund Cash Balances, January 1	<u>137,381</u>	<u>126,634</u>	<u>(27,274)</u>	<u>236,741</u>
Fund Cash Balances, December 31	<u>\$96,784</u>	<u>\$164,766</u>	<u>\$0</u>	<u>\$261,550</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, 2010**

	<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	\$722,339		\$722,339
Fines, Licenses and Permits	500		500
Miscellaneous	1,650		1,650
Total Operating Cash Receipts	<u>724,489</u>		<u>724,489</u>
Operating Cash Disbursements:			
Personal Services	211,744		211,744
Contractual Services	175,484		175,484
Supplies and Materials	92,566		92,566
Total Operating Cash Disbursements	<u>479,794</u>		<u>479,794</u>
Operating Income	<u>244,695</u>		<u>244,695</u>
Non-Operating Cash Receipts:			
Special Assessments	414		414
Miscellaneous Receipts	(280)		(280)
Other Non-Operating Cash Receipts	937		937
Total Non-Operating Cash Receipts	<u>1,071</u>		<u>1,071</u>
Non-Operating Cash Disbursements:			
Capital Outlay	54,170		54,170
Redemption of Principal	182,096		182,096
Interest and Other Fiscal Charges	32,035		32,035
Total Non-Operating Cash Disbursements	<u>268,301</u>		<u>268,301</u>
Net Receipts (Under) Disbursements	(22,535)		(22,535)
Fund Cash Balances, January 1	<u>518,749</u>	<u>\$1,201</u>	<u>519,950</u>
Fund Cash Balances, December 31	<u>\$496,214</u>	<u>\$1,201</u>	<u>\$497,415</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, 2011 AND 2010**

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 contracts with the Bradford Fire and Rescue Volunteer Fire Department to receive fire protection.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool. Note 8 to the financial statements provides additional information for these entities.

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:

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fire Levy Fund - This fund receives funds through property 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. This fund was closed during 2010.

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 refuse service costs.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. The Village has 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, which are then distributed to other governments.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations

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

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 use the encumbrance method of accounting.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

VILLAGE OF BRADFORD
MIAMI COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

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:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$750,461	\$573,679
STAR Ohio		185,286
Total deposits and investments	<u>\$750,461</u>	<u>\$758,965</u>

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.

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 294,675	\$ 295,113	\$ 438
Special Revenue	306,491	312,665	6,174
Enterprise	730,190	739,391	9,201
Fiduciary			
Total	<u>\$1,331,356</u>	<u>\$1,347,169</u>	<u>\$15,813</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 406,456	\$ 316,834	\$89,622
Special Revenue	458,759	318,363	140,396
Enterprise	1,223,905	720,476	503,429
Fiduciary	650		650
Total	<u>\$2,089,770</u>	<u>\$1,355,673</u>	<u>\$734,097</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 347,885	\$ 334,984	(\$12,901)
Special Revenue	312,378	327,221	14,843
Capital Projects		27,274	27,274
Enterprise	723,928	725,560	1,632
Fiduciary			
Total	<u>\$1,384,191</u>	<u>\$1,415,039</u>	<u>\$30,848</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 434,201	\$ 375,581	\$ 58,620
Special Revenue	441,514	289,089	152,425
Capital Projects	23,789		23,789
Enterprise	1,240,178	748,095	492,083
Fiduciary	650		650
Total	<u>\$2,140,332</u>	<u>\$1,412,765</u>	<u>\$727,567</u>

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.

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. PROPERTY TAX (Continued)

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 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, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority (#3752)	\$ 380,544	4.84%
Ohio Water Development Authority (#3147)	90,020	6.04%
Ohio Water Development Authority (#2693)	50,952	2.00%
Ohio Water Development Authority (#4135)	172,552	0%
Ohio Water Development Authority (#4430)	762,000	0%
Ohio Public Works Commission (CK333)	12,500	0%
Ohio Public Works Commission (CT34H)	31,500	0%
Ohio Public Works Commission (CT221)	77,500	0%
Ohio Public Works Commission (CT23J)	91,990	0%
Kansas State Bank of Manhattan - Street Sweeper Lease	64,386	5.05%
Total	<u>\$1,733,944</u>	

The Ohio Water Development Authority (OWDA) and the Ohio Public Works Commission (OPWC) loans relate to Ohio Environmental Protection Agency mandated water and sewer plant improvements 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.

The Kansas State Bank of Manhattan debt relates to a lease of the Village's street sweeper that was acquired in 2009.

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

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. DEBT (Continued)

Year ending December 31:	OPWC Principal	OWDA Principal	OWDA Interest	Street Sweeper Lease Principal	Street Sweeper Lease Interest	Total
2012	\$ 25,325	\$ 151,364	\$ 24,112	\$14,927	\$3,252	\$ 218,980
2013	12,825	102,554	21,427	15,681	2,498	154,985
2014	12,825	104,811	19,169	16,473	1,706	154,984
2015	12,825	107,191	16,786	17,305	874	154,981
2016	12,825	109,701	14,280			136,806
2017-2021	64,126	470,471	42,459			577,056
2022-2026	61,876	362,353	4,867			429,096
2027-2028	10,863	47,623				58,486
Total	<u>\$213,490</u>	<u>\$1,456,068</u>	<u>\$143,100</u>	<u>\$64,386</u>	<u>\$8,330</u>	<u>\$1,885,374</u>

7. RETIREMENT SYSTEMS

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 the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

8. RISK MANAGEMENT

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 from covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at December 31, 2010, retention levels are \$150,000 for property and casualty coverage.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$1,950,167	\$2,109,514
Liabilities	1,656,732	1,920,839
Accumulated Surplus	<u>\$ 293,435</u>	<u>\$ 188,675</u>

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. SUBSEQUENT EVENTS

On April 4, 2012, the Village entered into a contract with Franklin Land Associates in the amount of \$60,000 to sell a parcel of land the Village owns so that a Dollar General store can be built.

10. NONCOMPLIANCE

The Village paid debt payments from the Street Construction, Maintenance and Repair Fund in violation of Ohio Rev. Code Section 5705.10(H) which states that money paid into a fund shall be used only for the purposes for which such fund was established. The debt payments were for the purchase of land rather than for street construction/maintenance.



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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 North 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, 2011 and 2010, and have issued our report thereon dated October 29, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for year ending December 31, 2011. 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 2011-02 and 2011-03 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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 29, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 29, 2012

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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 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 the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time 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 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 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.

- B. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not to 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. 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.

- C. Super Blanket Certificate** - The Village may also make expenditures and contract 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. The 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 did not properly encumber 100% of expenditures tested during 2011 and 2010 because the Village failed to complete purchase orders of any kind. 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, the Village should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2011-02

Noncompliance/Material Weakness

Ohio Rev. Code Section 733.28 states, in part, that the Village Clerk should keep the books of the Village and exhibit accurate statements of all monies received and expended. The Village utilizes a computerized accounting system to record its accounting transactions; however, the Village does not have revenue codes established for all revenue sources, and the Village Fiscal Officer prepares the annual financial statements manually by labeling amounts in the revenue ledger as to where they are to be reported on the financial statements. The Village did not properly classify receipt and disbursement transactions for the following transactions in the 2011 and 2010 financial statements:

- The 2010 beginning fund cash balances, which were adjusted in the prior audit period, for the General Fund, Street Construction, Maintenance and Repair Fund, Equipment Fund, Sewer Fund, and Agency Fund did not agree to the December 31, 2009 audited ending fund balances. These variances resulted in adjustments made to these funds. The General Fund was understated by \$51,065; the Street Construction, Maintenance and Repair Fund was overstated by \$2,500; the Equipment Fund was overstated by \$51,063; the Sewer Fund was understated by \$2,500; and the Agency Fund was understated by \$551. The accompanying financial statements were adjusted to reflect the proper beginning fund cash balances.
- The Village made payments on a note for the purchase of land during 2011 and 2010 and reported the disbursements amounting to \$22,226 and \$24,662 respectively in the General Fund as General Government expenditures instead of Redemption of Principal and Interest and Fiscal Charges. The accompanying financial statements were adjusted for this classification error.
- In 2010, the Village obtained a court order to close its Equipment Fund, which had been reported as a Capital Projects Fund. The Village reported a Transfer Out for the Equipment Fund and Earnings on Investments Revenue in the General Fund in the amount of \$23,789 to close out the fund; however, per the prior audit report the balance at December 31, 2009 was actually a deficit \$27,274. In order to close out the fund the following adjustments to the accompanying financial statements were made; Equipment Transfers Out and General Fund Earnings on Investments Revenue were reduced by \$23,789, and General Fund Transfers Out and Equipment Fund Transfers In were both increased by \$27,274.
- The Village's annual report for December 31, 2011 did not report fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, rather amounts were reported as fund balance, end of year. Therefore, the accompanying financial statements were adjusted to reflected unassigned fund balance in the General Fund of \$75,063 and restricted fund balance in Special Revenue Funds of \$159,068.

The following misstatements were not adjusted in the accompanying financial statements:

- In 2011, the Village reported \$1,928 of Redemption of Principal disbursements in the Water fund as Interest and Fiscal Charges, and \$1,979 of Interest and Fiscal Charges were reported in the Sewer fund as Redemption of Principal disbursements. These classification issues were less than 1% of total 2011 enterprise fund disbursements.
- In 2011, the Village reported \$1,881 of Intergovernmental Revenue in the General Fund as Income Tax Revenue; and in 2010, reported \$1,316 of Intergovernmental Revenue in the General Fund as Property Tax Revenue. These classification issues were less than 1% of 2011 and 2010 General Fund revenues respectively.

**FINDING NUMBER 2011-02
(Continued)**

- In 2011, the Village recorded \$301 of General Fund Intergovernmental Revenues and \$602 of Fire Levy Fund Intergovernmental Revenues as Intergovernmental Revenue in the Street Construction, Maintenance and Repair Fund. These posting errors were not significant to the individual funds and constituted less than 1% of revenues for each fund.
- In 2011 and 2010, the Village reported street sweeper principal and interest expenditures of 18,179 for each year respectively as Transportation disbursements in the Special Revenue Fund. These classification issues were less than 5% of total 2011 Special Revenue Fund disbursements and 6.2% of 2010 Special Revenue Fund disbursements.

The Village should develop and implement procedures to verify accurate recordkeeping of all its activities. The Village Fiscal Officer should establish unique account codes in the accounting system for recording all revenue and expenditure items to properly prepare the annual financial report. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost or stolen. Additionally, independent detailed reviews should be performed over the Village accounting records as a means of providing for their accuracy.

FINDING NUMBER 2011-03

Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.10(H) requires that money paid into any fund shall be used only for the purposes for which such fund is established.

During the audit period, the Village made payments for the purchase of land which was approved on June 12, 2008 from Zeus Investments that was adjacent to the Village Park. Principal and interest payments were allocated between the General Fund and the Street Construction, Maintenance and Repair Fund.

In 2011 and 2010, principal payments totaled \$34,791, of which \$15,000 was allocated to the Street Construction, Maintenance and Repair Fund each year. The Street Construction, Maintenance and Repair Fund receives monies from gasoline taxes and motor vehicle license taxes. Ohio Rev. Code Sections 5735.27 and 4503.02 restricts the use of gasoline taxes and motor vehicle license taxes to the actual construction, maintenance and repair of Village Streets. The accompanying financial statements and the Village accounting records were adjusted to record the \$15,000 in principal and interest payments made from the Street Construction, Maintenance and Repair Fund in the General Fund for 2011 and 2010.

Due care should be used when posting expenditures to the accounting system. Failure to post expenditures to the correct funds could result in incorrect fund balances being maintained and expenditures made that are not allowable to that fund under State statute.

Officials' Response:

Officials did not respond to the findings noted above.

**VILLAGE OF BRADFORD
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 5705.10 – Negative Fund Balances	Yes	
2009-002	Ohio Rev. Code Section 733.28 – Material Financial Statement Misstatements	No	Repeated as Finding 2011-02
2009-003	Ohio Rev. Code Section 135.21 – Allocation of Interest Revenue	No	Repeated in Management Letter
2009-004	Ohio Rev. Code Section 5705.41(D) – Failure to Properly Certify Expenditures	No	Repeated as Finding 2011-01
2009-005	Ohio Rev. Code Sections 5705.36(A)(2), 5705.36(A)(3), 5705.36(A)(4) – Failure to Obtain Amended Certificates	Yes	



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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
DECEMBER 13, 2012