

***VILLAGE OF BRADY LAKE
PORTAGE COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Brady Lake
2123 Merrill Road
Ravenna, Ohio 44266

We have reviewed the *Report of Independent Accountants* of the Village of Brady Lake, Portage County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Brady Lake is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

October 5, 2010

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**VILLAGE OF BRADY LAKE
AUDIT REPORT
PORTAGE COUNTY, OHIO
For the Years Ended December 31, 2009 and 2008**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Brady Lake
Portage County
6500 Lakeview Drive
Ravenna, Ohio 44266

To the Village Council:

We have audited the accompanying financial statements of the Village of Brady Lake, Portage 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 that 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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 and reserve for encumbrances of the Village, as of December 31, 2009 and 2008, and its cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. 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 May 29, 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 do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls 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.

Charles E. Harris & Associates, Inc.
May 29, 2010

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

	<u>Governmental Fund Types</u>		<u>Totals - Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 40,534	\$ 12,799	\$ 53,333
Special Assessments	-	17,006	17,006
Intergovernmental	110,092	122,079	232,171
Municipal Income Tax	40,025	-	40,025
Fines, Licenses & Permits	62,917	-	62,917
Earnings on Investments	237	-	237
Miscellaneous	6,004	-	6,004
Total Cash Receipts	259,809	151,884	411,693
Cash Disbursements:			
Current:			
Security of Persons & Property	58,906	-	58,906
Community Environment	2,426	-	2,426
Transportation	-	77,575	77,575
General Government	158,654	-	158,654
Capital Outlay	37,500	98,645	136,145
Debt Service:			
Principal Payments	8,089	14,057	22,146
Interest and Fiscal Charges	10,088	13,452	23,540
Total Cash Disbursements	275,663	203,729	479,392
Total Receipts Over/(Under) Disbursements	(15,854)	(51,845)	(67,699)
Other Financing Sources/(Uses):			
Proceeds of Loan	37,500	-	37,500
Transfers-In	-	57,365	57,365
Transfers-Out	(57,365)	-	(57,365)
Total Other Financing Sources/(Uses)	(19,865)	57,365	37,500
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	(35,719)	5,520	(30,199)
Fund Cash Balance, January 1	35,874	32,845	68,719
Fund Cash Balance, December 31	\$ 155	\$ 38,365	\$ 38,520
Reserve for Encumbrances, December 31	\$ 100	\$ -	\$ 100

See accompanying Notes to the Financial Statements.

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

	Governmental Fund Types		Totals - Memorandum Only
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$ 42,423	\$ 12,926	\$ 55,349
Special Assessments	-	19,467	19,467
Intergovernmental	113,492	20,506	133,998
Municipal Income Tax	56,456	-	56,456
Fines, Licenses & Permits	28,894	-	28,894
Earnings on Investments	947	-	947
Miscellaneous	6,754	-	6,754
Total Cash Receipts	248,966	52,899	301,865
Cash Disbursements:			
Current:			
Security of Persons & Property	51,414	-	51,414
Leisure Time Activities	1,773	-	1,773
Community Environment	2,284	-	2,284
Transportation	-	36,898	36,898
General Government	155,197	-	155,197
Capital Outlay	6,200	-	6,200
Debt Service:			
Principal Payments	7,100	13,578	20,678
Interest and Fiscal Charges	10,378	14,315	24,693
Total Cash Disbursements	234,346	64,791	299,137
Total Receipts Over/(Under) Disbursements	14,620	(11,892)	2,728
Other Financing Sources/(Uses):			
Transfers-In	-	17,000	17,000
Transfers-Out	(17,000)	-	(17,000)
Total Other Financing Sources/(Uses)	(17,000)	17,000	-
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	(2,380)	5,108	2,728
Fund Cash Balance, January 1	38,254	27,737	65,991
Fund Cash Balance, December 31	\$ 35,874	\$ 32,845	\$ 68,719
Reserve for Encumbrances, December 31	\$ 100	\$ -	\$ 100

See accompanying Notes to the Financial Statements.

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Brady Lake, Portage County, (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 police and fire protection services, park operations, and roads and street maintenance and repair. The Village contracts with Ravenna Township to provide dispatching and emergency medical services. The Village appropriates general fund 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. 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

The Village pooled all money into money market demand accounts and regular checking accounts.

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 Fund

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.

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Fund (Continued)

Recreation Levy Fund – This fund receives levies to fund the Village’s parks.

Fire Tanker Repair Fund – This fund accounts for the repair of a fire tanker.

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. 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.

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.

A summary of 2009 and 2008 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.

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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:

	2009	2008
Demand deposits	\$ 38,520	\$ 68,719

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

2009 Budgeted vs Actual Budgetary Basis Disbursements			
Funds	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 322,318	\$ 333,128	\$ (10,810)
Special Revenue	128,613	203,729	(75,116)
Total	\$ 450,931	\$ 536,857	\$ (85,926)

2008 Budgeted vs Actual Budgetary Basis Disbursements			
Funds	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 348,674	\$ 251,446	\$ 97,228
Special Revenue	94,393	64,791	29,602
Total	\$ 443,067	\$ 316,237	\$ 126,830

2009 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 286,444	\$ 297,309	\$ 10,865
Special Revenue	95,861	209,249	113,388
Total	\$ 382,305	\$ 506,558	\$ 124,253

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

3. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 310,420	\$ 248,966	\$ (61,454)
Special Revenue	80,964	69,899	(11,065)
Total	\$ 391,384	\$ 318,865	\$ (72,519)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund and Special Revenue Street Fund for the year ended December 31, 2009. Contrary to Ohio Law, appropriations exceeded estimated resources in the Special Revenue Street Highway Fund in 2008. Contrary to Ohio law, estimated receipts exceeded actual receipts to the extent that the deficiency would have caused the appropriations to exceed estimated resources in the Special Revenue Recreation Levy Fund in 2009. In 2008, this occurred in the General Fund, Special Revenue Street fund, and Special Revenue Fire Levy Fund.

4. PROPERTY TAXES

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. 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. Tangible property taxes are being phased out through 2009.

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

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

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

	Principal
Various Purpose Improvement Bonds, Series 2004	\$ 372,370
Fire Truck Pump Bank Loan	1,935
Fire Truck Bank Loan	36,942
Total	\$ 411,247

In 2004, the Village issued \$450,461 in Various Purpose Improvement Bonds for the defeasance of debt. In 2005, the Village took out a \$20,000 loan for the purpose of repairing a fire truck pump. In November 2009, the Village took out another loan of \$37,500 to purchase a Grumman Fire Truck and made the first loan payment in December 09. The debt outstanding balance for Fire Truck Pump Bank Loan reflected a restatement of prior year principal balance of \$337, due to timing of the payment posted.

The following is a schedule of the future long-term debt payments, including interest, required as of December 31, 2009:

	Various Purpose Improvement Bonds, Series 2004	Fire Truck Pump Bank Loan	Fire Truck Bank Loan
2010	\$ 40,648	\$ 1,968	\$ 8,402
2011	40,648	-	8,402
2012	40,648	-	8,402
2013	40,648	-	8,402
2014	40,647	-	7,702
2015-2019	179,717	-	-
2020-2024	179,717	-	-
Total	\$ 562,673	\$ 1,968	\$ 41,310

7. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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. OPERS members contributed 10% of their wages for 2009 and 2008, respectively. The Village contributed an amount equal to 14% for both years of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with around 500 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

The Ohio Government Risk Management Plan ("the Plan") was organized in June of 1988, as authorized by Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members and an instrumentality for each member for the sole purpose of enabling members of the Plan to provide for formalized, jointly administered self-insurance programs to maintain adequate self-insurance protection, risk management programs and other administrative services. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity for the public purpose of enabling its members to obtain self-insurance through a jointly administered self-insurance fund. Members of the Plan are political subdivisions such as townships, villages, cities and others in the State of Ohio which are eligible to participate under applicable statute, ruling or law subject to certain underwriting standards as deemed appropriate by the Plan and its administrator. The Plan is governed by a Board of Directors comprised of appointed and elected representatives of public entities that participate in the program.

The Plan was first established to provide property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk Management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. The OPRM has agreed to pay judgments, settlements and other expenses resulting from claims arising related to the property and casualty coverages provided, in excess of the member's deductible.

Property and Casualty (OPRM)

OPRM has developed specific forms and endorsements of property and casualty coverage and substantially reinsures these coverages. Individual members are only responsible for their self retention (deductible) amounts that vary from member to member.

The members pay an annual membership fee that is based on a percentage of premiums written for the year, which is earned pro-rata over the life of members' policies, and members who cancel are reimbursed the pro-rata portion of membership fees. These fees are charged to cover professional fees, directors' travel and meeting expenses and other administrative expenses.

OPRM had 654 and 592 members as of December 31, 2008 and 2007, respectively.

OPRM has an agreement with Hylant Administrative Services, LLC ("HAS") to provide agent management, underwriting, claims management, risk management, accounting and system support services for OPRM. HAS also provides reinsurance brokerage services to OPRM.

OPRM is comprised exclusively of Ohio political subdivisions. Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of reinsuring no less than 90% of coverage provided, with the exception of its paid loss ratio cap on old casualty reinsurance layers.

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

8. RISK MANAGEMENT (continued)

Effective September 1, 2002, OPRM began retaining 5% of the premium and losses on the first \$500,000 casualty treaty and 5% of the first \$1,000,000 property treaty. Effective November 1, 2005, OPRM began retaining 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

In 2002, OPRM elected to participate in a loss corridor deductible in its first \$500,000 of casualty reinsurance to control reinsurance costs. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. If the OPRM's paid loss ratio reaches 55%, OPRM would pay all the losses incurred related to this treaty up to the next 10% of premiums earned.

Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded. Effective September 1, 2003, the corridor is for losses paid between 62% and 67% of premiums earned.

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and member's equity at December 31:

	2008	2007
Assets	\$ 10,471,114	\$ 11,136,455
Liabilities	5,286,781	4,273,553
Retained Earning	\$ 15,757,895	\$ 15,410,008

The complete audited financial statements for the Ohio Government Risk Management are available at the Plan's website, www.ohioplan.org.

9. TRANSFERS

The Village transferred \$17,000 in 2008 and \$57,365 in 2009 from General Fund to Street Construction, Maintenance, and Repair Fund for road projects.

10. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Village of Brady Lake
Portage County
6500 Lakeview Drive
Ravenna, Ohio 44266

To the Village Council:

We have audited the financial statements of the Village of Brady Lake, Portage County Ohio (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 29, 2010, 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 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 opinions 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 to be 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 finding 2009-003 described in the accompanying schedule of findings to be a material weakness.

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 grants 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 such 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 2009-001 to 2009-2004.

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 noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 29, 2010.

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

Charles E. Harris and Associates, Inc.

May 29, 2010

VILLAGE OF BRADY LAKE
 PORTAGE COUNTY, OHIO
 SCHEDULE OF FINDINGS
 DECEMBER 31, 2009 AND 2008

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

Finding Number: 2009-001 – Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the object level for all funds. In 2009, the following fund had total expenditures plus encumbrances in excess of appropriations:

2009			
Fund	Appropriations	Expenditures Plus Encumbrances	Variance
General Fund	\$ 322,318	\$ 333,128	\$ (10,810)
Special Revenue-Street Fund	80,776	176,220	(95,444)

The legal level of control violations were not disclosed since they were cited at the fund level.

We recommend the Village monitor appropriations and expenditures plus encumbrances regularly and amend appropriations as necessary to avoid overspending.

Management Response:

Management agrees and will monitor expenditures compared to appropriations.

Finding Number: 2009-002 – Noncompliance Citation

Ohio Revised Code Section 5705.39 states, in part, that "... The total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission..." This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources. Contrary to this requirement, the following funds had total appropriations in excess of estimated resources plus carryover balances:

2008			
Fund	Estimated Resources	Appropriations	Variance
Special Revenue Fund-Street Highway	\$ -	\$ 10,000	\$ (10,000)

We recommend the Village monitor estimated resources versus appropriations as necessary to comply with budgetary requirements.

Management Response:

Management agrees and will monitor estimated resources and appropriations.

VILLAGE OF BRADY LAKE
PORTAGE COUNTY, OHIO
SCHEDULE OF FINDINGS – (CONTINUED)
DECEMBER 31, 2009 AND 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (CONTINUED)

Finding Number: 2009-003 – Noncompliance Citation and Material Weakness

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

The Village Officers' Handbook (revised March 2010) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During 2009 and 2008, the Village recorded General Government expenses as Securities of Persons and Property expenses and Principal and Interest of bond payments as Community Development and Capital Outlay. We also noted that loan proceeds and the corresponding capital outlay was not posted. Other incorrect postings of disbursement line items have also been found in the accounting records. The accounts were adjusted and reclassified to proper accounts as reflected in the financial statements.

We recommend the Village follow the Village Officers' Handbook to properly classify its transactions.

Management Response:

The Clerk agrees and will categorize all receipts and disbursements properly in the future.

Finding Number: 2009-004 – Noncompliance Citation

Ohio Revised 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 Revised 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.

In both 2008 and 2009 the Village had estimated receipts greater than actual receipts in the following funds to the extent by which the shortage of actual compared to estimated receipts reduced the total estimated resources to an amount lower than the appropriations.

VILLAGE OF BRADY LAKE
 PORTAGE COUNTY, OHIO
 SCHEDULE OF FINDINGS – (CONTINUED)
 DECEMBER 31, 2009 AND 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (CONTINUED)

Finding Number: 2009-004 – Noncompliance Citation (continued)

2009			
Fund	Estimated Receipts	Actual Receipts	Variance
Special Revenue-Recreation Levy	\$ 30,212	\$ 17,006	\$ (13,206)

2008			
Fund	Estimated Receipts	Actual Receipts	Variance
General Fund	\$ 310,420	\$ 248,966	\$ (61,454)
Special Revenue-Street Fund	49,186	36,268	(12,918)
Special Revenue-Fire Levy Fund	15,169	12,926	(2,243)

Management Response:

Management will amend the certificate when estimated receipts exceed actual receipts if this will reduce the estimated resources below the appropriations.

VILLAGE OF BRADY LAKE
PORTAGE 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: Explain: Per ADAM 2001-10 Disclose the current year finding in this schedule
2007-001	ORC Section 5705.41 (B)- Expenditures exceeded Appropriations	No	Not Corrected, Repeated as Finding 2009-001
2007-002	ORC Section 5705.39- Appropriations Exceeded Estimated Resources	No	Not Corrected, Repeated as Finding 2009-002
2007-003	ORC Section 117-02(A) Fund and Account Classification	No	Not Corrected, Repeated as Finding 2009-003
2007-004	ORC Section 5705.36, Amended Estimated Resources as needed	No	Not Corrected, Repeated as Finding 2009-004
2007-005	ORC Section 5705.34, Passing ordinances or resolutions to authorize the necessary tax levies	Yes	Finding No Longer Valid
2007-006	ORC Section 5705.41(D), Fiscal Officer certification for availability of funds	No	Partially corrected. The Finding has been moved to management letter



Mary Taylor, CPA
Auditor of State

VILLAGE OF BRADY LAKE

PORTAGE 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
NOVEMBER 4, 2010