



Dave Yost • Auditor of State

VILLAGE OF BRADY LAKE
PORTAGE COUNTY

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Dave Yost • Auditor of State

Village of Brady Lake
Portage County
2123 Merrill Road
Ravenna, Ohio 44266

To the Village Council:

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 11, 2013

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Brady Lake
Portage County
2123 Merrill Road
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, 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 require presenting entity wide statements and also presenting the Government's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 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 Brady Lake, Portage 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 2010 the Village of Brady Lake adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The accompanying financial statements have been prepared assuming that the Village will continue as a going concern. As described in Note 10, as of December 31, 2012, the Village's unaudited General Fund balance is a negative (\$1,894). In addition, on December 3, 2012, the Village passed Ordinance 2012-18 allowing for a credit of 1/2 of 1% on taxes paid to other local governments. These conditions raise substantial doubt about the Village's ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2013, 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.



Dave Yost
Auditor of State

April 11, 2013

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$42,072		\$23,699		\$65,771
Municipal Income Tax	38,092				38,092
Intergovernmental	99,677	\$27,233	4,807		131,717
Fines, Licenses and Permits	27,093				27,093
Fines and Forfeitures	15,263				15,263
Earnings on Investments	13				13
Miscellaneous	2,092				2,092
<i>Total Cash Receipts</i>	<u>224,302</u>	<u>27,233</u>	<u>28,506</u>	<u>0</u>	<u>280,041</u>
Cash Disbursements					
Current:					
Security of Persons and Property	111,633				111,633
General Government	64,472				64,472
Transportation		11,682			11,682
Community Development	2,074				2,074
Contractual Services	17,419	15,447			32,866
Materials and Supplies	5,197	349			5,546
Debt Service:					
Principal Retirement	7,178		19,717	477	27,372
Interest and Fiscal Charges	1,224		20,931		22,155
<i>Total Cash Disbursements</i>	<u>209,197</u>	<u>27,478</u>	<u>40,648</u>	<u>477</u>	<u>277,800</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>15,105</u>	<u>(245)</u>	<u>(12,142)</u>	<u>(477)</u>	<u>2,241</u>
Other Financing Receipts (Disbursements)					
Transfers In		2,211	12,142	447	14,800
Transfers Out	(14,800)				(14,800)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(14,800)</u>	<u>2,211</u>	<u>12,142</u>	<u>447</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	305	1,966	0	(30)	2,241
<i>Fund Cash Balances, January 1</i>	<u>(5,669)</u>	<u>15,961</u>	<u>0</u>	<u>30</u>	<u>10,322</u>
Fund Cash Balances, December 31					
Restricted	0	17,927	0	0	17,927
Assigned	100	0	0	0	100
Unassigned (Deficit)	(5,464)	0	0	0	(5,464)
<i>Fund Cash Balances, December 31</i>	<u>(\$5,364)</u>	<u>\$17,927</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,563</u>

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

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$51,884		\$24,007		\$75,891
Municipal Income Tax	45,749				45,749
Intergovernmental	96,915	\$21,889	4,679		123,483
Fines, Licenses and Permits	34,793				34,793
Fines and Forfeitures	14,635				14,635
Earnings on Investments	59				59
Miscellaneous	6,302				6,302
<i>Total Cash Receipts</i>	<u>250,337</u>	<u>21,889</u>	<u>28,686</u>	<u>0</u>	<u>300,912</u>
Cash Disbursements					
Current:					
Security of Persons and Property	134,490				134,490
General Government	66,539				66,539
Transportation	2,000	20,982			22,982
Community Development	2,200				2,200
Contractual Services	16,485	18,650			35,135
Materials and Supplies	12,804	3,677			16,481
Debt Service:					
Principal Retirement	8,793		18,586	238	27,617
Interest and Fiscal Charges	1,604		22,063		23,667
<i>Total Cash Disbursements</i>	<u>244,915</u>	<u>43,309</u>	<u>40,649</u>	<u>238</u>	<u>329,111</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,422</u>	<u>(21,420)</u>	<u>(11,963)</u>	<u>(238)</u>	<u>(28,199)</u>
Other Financing Receipts (Disbursements)					
Transfers In		21,578	9,108		30,686
Transfers Out	(28,686)	(2,000)			(30,686)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(28,686)</u>	<u>19,578</u>	<u>9,108</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(23,264)</u>	<u>(1,842)</u>	<u>(2,855)</u>	<u>(238)</u>	<u>(28,199)</u>
<i>Fund Cash Balances, January 1 - (See Note 2)</i>	<u>17,595</u>	<u>17,802</u>	<u>2,855</u>	<u>268</u>	<u>38,520</u>
Fund Cash Balances, December 31					
Restricted	0	15,960	0	30	15,990
Assigned	100	0	0	0	100
Unassigned (Deficit)	(5,769)	0	0	0	(5,769)
<i>Fund Cash Balances, December 31</i>	<u>(\$5,669)</u>	<u>\$15,960</u>	<u>\$0</u>	<u>\$30</u>	<u>\$10,321</u>

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

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY**

**NOTE 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 Brady Lake, Portage County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides police services, fire protection services and park operations. 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.

Public Entity Risk Pool:

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program. Note 9 to the financial statements provide additional information about this entity.

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.

The Village pooled all money into a money market account and demand deposits.

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.

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund:

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

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

Fire Tanker Repair Fund – This fund receives property tax money to pay debt service on a bond issuance.

Building Bond Reduction Fund – This fund receives property tax money to pay debt service on a bond issuance.

Recreation Levy Bond Fund – This fund receives property tax money to pay debt service on a bond issuance.

4. 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 funds:

Construction Fund – This fund receives proceeds from grants for infrastructure projects, such as road construction. At present, this fund is paying off a 2009 Ohio Public Works Commission (OPWC) Loan.

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. Unencumbered appropriations lapse at year end.

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 5.

F. Fund Balance

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. Nonspendable

The Village classifies assets as *nonspendable* 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.

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.

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. RESTATEMENT OF PRIOR YEAR BALANCES

The restatement of prior years' balances was necessary to account for an appropriate fund balance in each fund type. At December 31, 2009, the prior year's report reflected the General Fund's Fund balance significantly lower than what it had been reflected. Also, no debt service funds and Capital Projects Funds were presented in the prior year audit.

Fund Type:	2009 Report Balance	Audited Report Balances at January 1, 2010	Variance
General Fund	\$ 155	\$ 17,595	\$ 17,440
Special Revenue Funds	38,365	17,802	(20,563)
Debt Service Funds	0	2,855	2,855
Capital Projects Fund	0	268	268
Totals	\$38,520	\$38,520	\$ 0

3. 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:

	2011	2010
Demand deposits	\$9,791	\$5,585
Total deposits	<u>9,791</u>	<u>5,585</u>
Money Market Account	2,772	4,736
Total investments	<u>2,772</u>	<u>4,736</u>
Total deposits and investments	<u>\$12,563</u>	<u>\$10,321</u>

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

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY**

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

4. 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	\$355,353	\$224,302	(\$131,051)
Special Revenue	67,000	29,444	(37,556)
Debt Service	49,476	40,648	(8,828)
Capital Projects	0	447	447
Total	\$471,829	\$294,841	(\$176,988)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$355,353	\$223,997	\$131,356
Special Revenue	67,000	27,478	39,522
Debt Service	49,476	40,648	8,828
Capital Projects	0	477	(477)
Total	\$471,829	\$292,600	\$179,229

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$326,497	\$250,337	(\$76,160)
Special Revenue	84,710	43,467	(41,243)
Debt Service	49,414	37,794	(11,620)
Capital Projects	0	0	0
Total	\$460,621	\$331,598	(\$129,023)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$326,497	\$273,601	\$52,896
Special Revenue	84,710	45,309	39,401
Debt Service	49,414	40,649	8,765
Capital Projects	0	238	(238)
Total	\$460,621	\$359,797	\$100,824

Contrary to Ohio law, at December 31, 2011 and 2010, the General Fund had a deficit fund balance of negative \$5,364 and \$5,669, respectively.

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY**

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

5. 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.

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.

6. 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.

7. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$334,068	6.00%
General Obligation Notes	\$22,907	4.50%
Ohio Public Works Commission Loan	8,346	0.00%
Total	<u>\$365,321</u>	

In 2004, the Village refunded \$415,461 in Various Purpose Improvement Bonds. Along with the refunding, the Village also issued \$35,000 for a fire truck. The total Various Purpose Improvement bonds issued in 2004 was \$451,461. The fire truck part of the Various Improvement Bonds is paid along with the Refunding, however it follows its own schedule and began with its first payment on Issuance on June 1, 2005 and will end on December 1, 2014.

The Village took out a 5 year, sixty month loan of \$37,500 to purchase a Grumman Fire Truck and made the first loan payment in December 2009, with equal monthly payments of \$700.17 and will end on November 16, 2014.

The Ohio Public Works Commission Loan (OPWC) relates to a road paving project that took place during 2009. The OPWC Loan was in the amount of \$9,537, with bi-annual payments of \$238.43 and will end on January 1, 2030.

The Village's taxing authority collateralized the bonds.

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY**

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

7. DEBT - (Continued)

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

Year ending December 31:	General Obligation Bonds	General Obligation Notes	OPWC Loan
2012	\$40,648	\$8,402	\$477
2013	40,647	8,402	477
2014	40,647	7,702	477
2015	35,943		477
2016	35,943		477
2017-2021	179,718		2,146
2022-2026	107,830		2,146
2027-2030			1,669
Total	<u>\$481,376</u>	<u>\$24,506</u>	<u>\$8,346</u>

8. RETIREMENT SYSTEMS

The Village's full-time Police Officer belongs to the Ohio Public Employees Retirement System (OPERS). The Village's part-time firefighters pay into Social Security. Other employees belong to the Ohio Public Employees Retirement System (OPERS) or pay into Social Security. OPERS are cost-sharing, multiple-employer plans. 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 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. Part-time firefighters contributed social security at an amount equal to 4.2%. The Village has paid all contributions required through December 31, 2011.

9. RISK MANAGEMENT

Risk Pool Membership

Prior to 2009, the Government belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY**

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

9. RISK MANAGEMENT – (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides 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, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Government does not participate in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Government does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010.

	2011	2010
Assets	\$12,501,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members’ Equity	\$7,172,519	\$7,191,485

You can read the complete audited financial statements for OPRM at the Plan’s website, www.ohioplan.org.

**VILLAGE OF BRADY LAKE
PORTAGE COUNTY**

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

10. SUBSEQUENT EVENTS/GOING CONCERN

As of December 31, 2012, the Village's unaudited General Fund balance is a negative (\$1,894). In addition, on December 3, 2012, the Village passed Ordinance 2012-18 allowing for a credit of 1/2 of 1% on taxes paid to other local governments. These conditions raise substantial doubt about the Village's ability to continue as a going concern. Council also passed a motion at the August 27, 2012 meeting to advertise for the sale of three Village-owned lots in order to generate revenue for the General Fund.

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Dave Yost • 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 Brady Lake
Portage County
2123 Merrill Road
Ravenna, Ohio 44266

To the Village Council:

We have audited the financial statements of the Village of Brady Lake (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 11, 2013, 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 and that the Village adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54). In addition, as described in Note 10 to the financial statements, as of December 31, 2012, the Village's unaudited General Fund balance is a negative (\$1,894). This condition raises substantial doubt about the Village's ability to continue as a going concern. 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 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 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 2011-001 through 2011-006 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 2011-001 through 2011-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 11, 2013.

We intend this report solely for the information and use of management, 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

April 11, 2013

**VILLAGE OF BRADY LAKE
PORTAGE 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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1. Setting up a Debt Service Fund for the 2004 Various Purpose Improvement Bonds, Series 2004 Issuance

<i>Finding Number</i>	2011-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

The Village issued a \$450,461 bond issuance called Various Purpose Improvement Bonds, Series 2004. The Transcript of Proceedings Section 3.30 Bond Fund requires the debt to be paid out of a debt service fund.

Non-Compliance was noted with the bond issuance debt covenant since the Village is paying debt out of three different funds for this Bond Issuance. The money is segregated by the County Auditor on the Statement of Semiannual Apportionment of Taxes and is appropriately budgeted for on the Official Certificate and any respective amendment with the County Auditor, however the Bond Issuance is being paid from: (1) The Park Improvement Levy Fund (paid out of Special Revenue Fund), (2) fire truck portion (paid out of a Capital Projects Fund) and (3) administration building (paid out of General Fund). In addition, the amount of debt principal and interest payments are not segregated.

The Auditor of State has been provided permission from Council and the Clerk Treasurer to adjust the Bond Issuance payments to reflect it being paid out of a Debt Service Fund and segregate out the debt payments into principal and interest. During our audit period the bond was paid from the functions of Transportation, Capital Outlay, and General Government. During 2012, Council passed Resolution 2012-20 to establish a Debt Service Fund.

We recommend the Village implement controls to help ensure they comply with debt covenants. In addition we recommend the Clerk Treasurer segregate principal and interest payments and reflect all debt payments for the Bond Issuance out of the Debt Service Fund.

2. Payment of Debt from Principal and Interest Functions and Paying Capital Projects Debt from a Capital Projects Fund

<i>Finding Number</i>	2011-002
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NONCOMPLIANCE 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.

**Finding Number 2011-002
(Continued)**

The Village Officers' Handbook (revised March 2012) 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.

The Village maintained three debt anticipation notes during 2011 and 2010. Two Anticipation Notes and one Ohio Public Works Commission (OPWC) Loan were paid from the General Fund.

The OPWC Loan was improperly paid out of the General Fund. The OPWC loan was for a road project during calendar year 2009.

The Clerk Treasurer did not segregate principal and interest within the General Fund, did not pay the OPWC loan out of the Capital Projects Fund, and expended from the line item General Fund General Government.

We have been provided permission from Council and the Clerk Treasurer to reclassify from General Fund General Government to debt service principal and interest within the General Fund and adjust the payments on the OPWC zero interest loan from the General Fund General Government Function to the Capital Projects Fund Debt Service principal function.

We recommend the Clerk Treasurer segregate principal and interest and reflect all debt payments for the anticipation notes and loans from the proper fund and principal and interest functions.

3. Negative Fund Balances

<i>Finding Number</i>	2011-003
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Revised Code Section 5705.10(H) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Numerous audit adjustments were required to be made to the Village's bank reconciliations and receipts during our audit, and as a result, Village fund balances in the accounting system also required adjustment.

As a result of these adjustments, the General Fund has deficit fund balances as of December 31, 2010 and 2011 of \$5,669 and \$5,364, respectively.

We recommend Council pay close attention to the bank reconciliations and financial reports the Clerk-Treasurer provides at each meeting. We also recommend that the Finance Committee review and sign off all monthly reconciliations and maintain vigilance over each fund and its respective balance from this point forward.

4. Budget Amounts Not Entered Into Accounting System

<i>Finding Number</i>	2011-004
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MATERIAL WEAKNESS

Ohio Administrative Code 117-2-02 (C) states that all local public offices may integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The legal level of control is the level at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates.

In 2010 and 2011, the Village Clerk Treasurer did not enter any estimated resources into the financial accounting system for any fund. Total estimated resources for all funds as approved by the Budget Commission were \$471,829 and \$460,621 in 2011 and 2010, respectively.

During 2010, the Street Fund's appropriations approved by the Budget Commission were \$82,050; however, the Clerk only posted \$61,962 in the financial accounting system which is a \$20,088 difference.

Inaccurate appropriations and estimated receipts in the fund ledgers does not provide the Village's management and Council with the necessary data to make decisions regarding Village spending and operations.

We recommend the Clerk Treasurer ensure that complete and accurate budgetary data is entered into the fund ledgers by comparing the appropriations, estimated receipts, and amendments thereto with the Village's fund ledgers on a monthly basis.

5. Cash Reconciliations

<i>Finding Number</i>	2011-005
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MATERIAL WEAKNESS

A bank to book reconciliation should be performed monthly and reviewed and approved by an individual with appropriate fiscal authority. The reconciliation of the Village's bank accounts with its cash ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the Village. As part of the bank reconciliation, all differences between the balance appearing on the bank statements and the balance of cash according to the Village's records should be accounted for.

The Village's bank accounts and fund balances were not reconciled during fiscal year 2011 and 2010. The Village Clerk Treasurer asked a person outside the Village with governmental experience to perform a proof-of-cash reconciliation for the two year audit period. Upon conclusion of the reconciliations being performed, the Village's books were overstated each year. The Village uses the Alpha Numeric Code within its financial accounting system.

**Finding Number 2011-005
 (Continued)**

At December 31, 2010 the Village financial accounting system was overstated by a net amount of \$7,882, and there were 80 adjustments to the cash reconciliation. The following fund balance adjustments were necessary during calendar year 2010:

- A01 General Fund (\$23,513)
- B01 Street Construction Fund \$1,269
- B02 State Highway Fund \$14,600
- D01 Construction Fund (\$238)

At December 31, 2011 the Village's financial accounting system was overstated by a net amount of \$16,986, and there were a total of 182 adjustments to the cash reconciliation. The following fund balance adjustments were necessary during calendar year 2011:

- A01 General Fund (\$34,650)
- B01 Street Construction Fund \$3,332
- B02 State Highway Fund \$14,600
- D01 Construction Fund (\$268)

The audit adjustments were posted to the Village's financial accounting system and to the audited financial statements.

We recommend the Village implement procedures to help ensure that bank statements are reconciled to the Village's books in a timely manner. We further recommend the bank reconciliations be presented to the Finance Committee so they can sign off on them and present to the entire Council for approval on a monthly basis within the Minute Record. All reconciling amounts should be easily identifiable and explained.

6. Misspostings and Inaccurate Financial Statement Presentation

<i>Finding Number</i>	2011-006
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MATERIAL WEAKNESS

An entity's accounting system encompasses the sequence of steps followed in the accounting process, from analyzing and recording transactions, posting entries, adjusting and closing accounts, and preparing financial statements.

The Village utilizes the Ohio Township Association Software System (OTAS) provided by an outside vendor. Specific account codes maintained within the OTAS system that are proscribed by the AOS are required to be used by the Village. These account codes are listed within the Ohio Village Handbook. The Village uses Alpha Numeric Codes to account for their fund activity.

AOS noted the State Highway Fund was rolling up with the General Fund in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances Report. In addition, when reviewing the Combining Statement for the Special Revenue Fund Types we noted the State Highway Fund was not listed. We were able to review a Fund Status Report which reflected the State Highway Fund. Also, we requested a printout of the State Highway Fund's activity, both revenue and expenditure. The activity was appropriately reflected in the sub-ledgers for calendar years 2010 and 2011, it just did not properly roll up onto the Combined Statement. We noted the activity in the State Highway Fund was posted properly and this was a software issue that lead Council to believe it's General Fund balance was higher than it really was.

**Finding Number 2011-006
(Continued)**

AOS reviewed the calendar 2009 Combined and Combining Statements and noted they rolled up properly. AOS determined this issue began during calendar 2010. Therefore, AOS requested the Clerk Treasurer contact the OTAS support team and attempt to determine what had transpired during 2010 that created the situation where the State Highway Fund was rolling up with the General Fund. OTAS was not able to provide a solution so the Clerk Treasurer purchased a new computer and had the OTAS Software Program re-installed. The Clerk Treasurer then waited on the final Fund balances from our audit and inputted those balances into the OTAS financial accounting system as the beginning balances for calendar 2012. The Clerk Treasurer is in the process of re-entering the budgetary, receipt and disbursement transactions that took place during calendar year 2012 into the new financial accounting system. This was determined by the Clerk to be the best course of action because the old version used was not able to be repaired to account for the 2012 activity appropriately.

This resulted in a \$16,600 adjustment during calendar 2010 and a \$14,600 adjustment during calendar 2011.

We recommend the Village maintain an appropriate accounting system that provides Council with accurate and timely information so they may be able to make appropriate decisions.

Official's Responses: The Village did not provide any responses.

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**VILLAGE OF BRADY LAKE
PORTAGE 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 Revised Code Section 5705.41(B) Expenditures plus outstanding encumbrances exceeded appropriations	Yes	Finding No Longer Valid
2009-002	Ohio Revised Code Section 5705.39 Appropriations exceeded Estimated Resources	Yes	Finding No Longer Valid
2009-003	Not Posting Debt Service Payments properly and Not accounting for revenues and expenditures appropriately	No	Not Corrected – See 2011-001 and 2011-002
2009-004	Ohio Revised Code Section 5705.36(A)(2) Estimated Resources greater Actual Receipts which resulted in estimated receipts below appropriations	Yes	Finding No Longer Valid

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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
MAY 28, 2013