



Dave Yost • Auditor of State

VILLAGE OF BRICE
FRANKLIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Brice
Franklin County
5990 Columbus Street
Brice, Ohio 43109

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Brice, Franklin County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Brice, Franklin County, Ohio as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Brice, Franklin County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Village of Brice adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

As disclosed in Note 12 to the financial statements, the Village has suffered recurring losses from operations in the General Fund as of December 31, 2012. Note 12 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 7, 2014

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 6,821	\$ -	\$ 6,821
Municipal Income Tax	30,332	-	30,332
Intergovernmental	8,130	6,108	14,238
Fines, Licenses and Permits	94,248	11,283	105,531
Earnings on Investments	7	-	7
Miscellaneous	17,807	-	17,807
<i>Total Cash Receipts</i>	<u>157,345</u>	<u>17,391</u>	<u>174,736</u>
Cash Disbursements			
Current:			
Security of Persons and Property	100,251	1,693	101,944
Transportation	-	2,046	2,046
General Government	76,159	4,729	80,888
Debt Service:			
Principal Retirement	2,400	-	2,400
Interest and Fiscal Charges	1,127	-	1,127
<i>Total Cash Disbursements</i>	<u>179,937</u>	<u>8,468</u>	<u>188,405</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(22,592)</u>	<u>8,923</u>	<u>(13,669)</u>
Other Financing Receipts			
Other Financing Sources	477	-	477
<i>Total Other Financing Receipts</i>	<u>477</u>	<u>-</u>	<u>477</u>
<i>Net Change in Fund Cash Balances</i>	(22,115)	8,923	(13,192)
<i>Fund Cash Balances, January 1</i>	<u>29,816</u>	<u>32,021</u>	<u>61,837</u>
Fund Cash Balances, December 31			
Restricted	-	40,944	40,944
Unassigned	7,701	-	7,701
<i>Fund Cash Balances, December 31</i>	<u>\$ 7,701</u>	<u>\$ 40,944</u>	<u>\$ 48,645</u>

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

**VILLAGE OF BRICE
FRANKLIN 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, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Non-Operating Receipts (Disbursements)			
Mayor's Court Receipts	\$ -	\$ 162,893	\$ 162,893
Mayor's Court Disbursements	-	(162,893)	(162,893)
<i>Total Non-Operating Receipts (Disbursements)</i>	-	-	-
<i>Net Change in Fund Cash Balances</i>	-	-	-
<i>Fund Cash Balances, January 1</i>	8,777	-	8,777
<i>Fund Cash Balances, December 31</i>	<u>\$ 8,777</u>	<u>\$ -</u>	<u>\$ 8,777</u>

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

**VILLAGE OF BRICE
FRANKLIN 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 7,623	\$ -	\$ 7,623
Municipal Income Tax	33,579	-	33,579
Intergovernmental	42,585	6,439	49,024
Charges for Services	400	-	400
Fines, Licenses and Permits	46,764	4,696	51,460
Earnings on Investments	10	-	10
Miscellaneous	584	-	584
<i>Total Cash Receipts</i>	<u>131,545</u>	<u>11,135</u>	<u>142,680</u>
Cash Disbursements			
Current:			
Security of Persons and Property	33,288	-	33,288
Basic Utility Services	865	-	865
Transportation	-	3,161	3,161
General Government	47,858	2,783	50,641
Debt Service:			
Principal Retirement	1,240	-	1,240
Interest and Fiscal Charges	1,241	-	1,241
<i>Total Cash Disbursements</i>	<u>84,492</u>	<u>5,944</u>	<u>90,436</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>47,053</u>	<u>5,191</u>	<u>52,244</u>
Other Financing Receipts			
Sale of Capital Assets	1,000	-	1,000
Other Financing Sources	175	-	175
<i>Total Other Financing Receipts</i>	<u>1,175</u>	<u>-</u>	<u>1,175</u>
<i>Net Change in Fund Cash Balances</i>	48,228	5,191	53,419
<i>Fund Cash Balances, January 1</i>	<u>(18,412)</u>	<u>26,830</u>	<u>8,418</u>
Fund Cash Balances, December 31			
Restricted	-	32,021	32,021
Unassigned	29,816	-	29,816
<i>Fund Cash Balances, December 31</i>	<u>\$ 29,816</u>	<u>\$ 32,021</u>	<u>\$ 61,837</u>

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

**VILLAGE OF BRICE
FRANKLIN 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**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Disbursements			
Contractual Services	\$ 200	\$ -	\$ 200
<i>Total Operating Cash Disbursements</i>	<u>200</u>	<u>-</u>	<u>200</u>
<i>Operating Income (Loss)</i>	<u>(200)</u>	<u>-</u>	<u>(200)</u>
Non-Operating Receipts (Disbursements)			
Mayor's Court Receipts	-	63,400	63,400
Mayor's Court Disbursements	-	(66,594)	(66,594)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>-</u>	<u>(3,194)</u>	<u>(3,194)</u>
<i>Net Change in Fund Cash Balances</i>	(200)	(3,194)	(3,394)
<i>Fund Cash Balances, January 1</i>	<u>8,977</u>	<u>3,194</u>	<u>12,171</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 8,777</u>	<u>\$ -</u>	<u>\$ 8,777</u>

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

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Brice, Franklin County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government and police services.

The Village participates in one jointly governed organization and the Public Entities Pool of Ohio (PEP) public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Mid-Ohio Regional Planning Commission (MORPC): MORPC is a voluntary association of central Ohio governments which envisions and embraces innovative directions in transportation, energy, housing, land use, the environment and economic prosperity.

Public Entity Risk Pool:

Public Entities Pool of Ohio (PEP): The Public Entities Pool of Ohio (PEP) is a public entity group self-insurance program that provides top-notch property and liability coverage to public entities in the State of Ohio.

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 maintains all funds in an interest bearing checking account. The Village did not hold any investments for periods ending December 31, 2012 and 2011.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Enforcement and Education Fund – This fund receives remittances from the Mayor’s Court Agency Fund for police enforcement and education.

Mayor’s Court Computer Fund – This fund receives remittances from the Mayor’s Court Agency Fund for cost of maintaining the court computer system.

3. 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 Fund:

Sewer Operating Fund - This fund maintains a fund balance in the event of sewage problems in which the Village would require to pay damages. Services are provided to residents by the City of Columbus.

4. Fiduciary Funds

Fiduciary funds include agency 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 following fund:

Mayor’s Court Fund – This fund accounts for the financial activity of the Mayor’s Court and is classified as an Agency Fund.

VILLAGE OF BRICE
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

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.

VILLAGE OF BRICE
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

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

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

	2012	2011
Demand deposits	<u>\$57,422</u>	<u>\$70,614</u>

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

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$155,463	\$157,822	\$2,359
Special Revenue	12,650	17,391	4,741
Total	\$168,113	\$175,213	\$7,100

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$137,275	\$179,937	(\$42,662)
Special Revenue	26,900	8,468	18,432
Enterprise	5,000	0	5,000
Total	\$169,175	\$188,405	(\$19,230)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$121,700	\$132,720	\$11,020
Special Revenue	14,416	11,135	(3,281)
Total	\$136,116	\$143,855	\$7,739

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,950	\$84,492	(\$11,542)
Special Revenue	11,516	5,944	5,572
Enterprise	5,000	200	4,800
Total	\$89,466	\$90,636	(\$1,170)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$42,662 and \$11,542 for the years ended December 31, 2012 and 2011, respectively. Budgetary expenditures also exceeded appropriations in the Drug Law Enforcement Fund for December 31, 2012 by \$1,693.

Also, contrary to Ohio law, actual receipts exceed Estimated Receipts at December 31, 2011 by \$11,020 for the Village's General fund.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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 2 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 City of Columbus either monthly or quarterly, as required. The City of Columbus remits collections to the Village. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

The Village of Brice entered into a Variable Rate Revolving Line of Credit for \$25,000. A margin of 2% is added to the index rate, and the lender will tell the Village what the current index rate is upon request. The Village entered into this agreement on November 19, 2007 and as of December 31, 2012, the Village has an outstanding balance of \$18,902 with an available credit of \$6,098.

7. Retirement Systems

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a 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 2012 and 2011, OPERS members contributed 10% for non-law enforcement employees, respectively, 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, 2012.

For law enforcement employees, members contributed 12.10% for 2012 and 11.61% for 2011 of their gross salaries. The Village contributed 18.10% for both fiscal years 2012 and 2011.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$5,000.

VILLAGE OF BRICE
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

8. Risk Management (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$6,245	\$6,708

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. Jointly Governed Organizations

Mid-Ohio Regional Planning Commission (MORPC): MORPC membership includes 44 local governments who represent over 1.6 million citizens in the region. Our member governments appoint their elected officials and/or staff to serve as their representatives and, under the leadership of elected Chair, Vice Chair and Secretary, constitute the board of MORPC. A staff of about 66 full-time employees, led by the Executive Director, carries out the agency's policies and programs.

10. Subsequent Events

The Village operated a Mayor's Court to account for the receipts from citations given by the Police Department. Disbursements represent court collections paid to various state and local agencies. The activity of the Mayor's Court is reported as an Agency Fund on the financial statements. At the end of fiscal year 2012, the Village's Mayor's Court ceased operation to comply with new state laws enacted from HB 606 of the 129th General Assembly

In May 2013, Council amended its Basic Code to provide provisions to operate a civil traffic enforcement system and to provide civil penalties for violations of traffic ordinances as allowed by the Ohio Supreme Court in *Mendenhall v. Akron*, 881 N.E. 2d 255, 117th Ohio St.3rd 33, 2008 Ohio 270.

In November 2013, Council placed a Village Charter on the ballot for citizen approval. The Charter was approved by popular vote.

In March 7, 2014, the Village owes \$787 to the Internal Revenue Service for unpaid taxes as of December 31, 2013.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

11. Contingent Liabilities

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters could materially adversely affect the Village's financial condition.

12. Management Plan-

At December 31, 2012 the Village reported a net decrease in fund cash balances in the General Fund of (\$22,115) and an ending cash fund balance of \$7,701. At February 28, 2014 the General Fund had a cash fund balance of (6,255.01).

In effort to improve operations, the Village is making the following adjustments with modifications to the type of services being offered:

- Started issuing Civil Traffic Violations in 2013
- Reduction in force of Police Officers and clerks for the Police Department
- Preparing to add a surcharge to Water billings of the Village residents

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Dave Yost • Auditor of State

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

Village of Brice
Franklin County
5990 Columbus Street
Brice, Ohio 43109

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Brice, Franklin County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and has suffered recurring losses from its operations within the general fund as described in Note 12.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-004 through 2012-006 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, opining 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 2012-001 through 2012-003 and 2012-007.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 7, 2014

VILLAGE OF BRICE
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

Expenditures Exceeding Appropriations - Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Village is the level at which Council adopts the original appropriation measure.

Budgetary expenditures exceeded appropriations for the year ended December 31, 2012 at the fund level as follows:

Fund #	Fund Name	Appropriation	Total	Variance
		Authority	Expenditures	
1000	General Fund	\$ 137,275	\$ 179,937	\$ (42,662)
2081	Drug Law Enforcement Fund	\$0	\$1,693	\$ (1,693)

Budgetary expenditures exceeded appropriations for the year ended December 31, 2011 at the fund level as follows:

Fund #	Fund Name	Appropriation	Total	Variance
		Authority	Expenditures	
1000	General Fund	\$ 72,950	\$ 84,492	\$ (11,542)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and resulted in deficit spending in the above funds.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Official's Response: No response received for this finding.

VILLAGE OF BRICE
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

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

FINDING NUMBER 2012-002

Actual Receipts Exceeding Estimated Receipts- Noncompliance

Ohio Revised Code § 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates of resources 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.

The Village had a deficiency of actual receipts compared to estimated receipts in the following fund at December 31, 2011, which should have also resulted in a decrease to the appropriation level:

<u>Fund</u>	<u>Fund Name</u>	<u>Estimated Receipts</u>	<u>Actual Revenue</u>	<u>Variance</u>
1000	General Fund	\$121,700	\$132,720	\$(11,020)

Failure to appropriately amend estimated resources and appropriations as a result of additional revenue could result in deficit spending in the General Fund.

We recommend the Village implement procedures to monitor estimated and actual revenues and request an amended certificate of estimated resources and reduce appropriations, when necessary, when it becomes evident that estimated sources of revenue will be below projections for the year.

Official's Response: No response received for this finding

FINDING NUMBER 2012-003

Prior Certification- Noncompliance

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

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

VILLAGE OF BRICE
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

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

FINDING NUMBER 2012-003 (Continued)

Prior Certification- Noncompliance (Continued)

1. "Then and Now" certificates - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by resolution. Amounts less than \$3,000 may be paid by the fiscal officer without a resolution 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 the expenditures by the Village.

2. Blanket certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in 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 year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to the purchase commitment for 29 of the 34 expenditures tested during 2012 and 2011.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Fiscal Officer. When prior certification is not possible, "then and now" certification should be used.

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

Official's Response: No response was received for this finding

VILLAGE OF BRICE
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

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

FINDING NUMBER 2012-004

Financial Statement Presentation- Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and members of Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following adjustment was posted to the financial statements and, where applicable, the accounting records for the year ended December 31, 2012:

- Mayor's Court receipts and expenditures were not accounted for properly on the Village's accounting system, resulting in an adjustment to record \$162,893 in receipts and expenditures.
- Increased general government expenditures in the General fund by \$270 to record bank fees related to the Mayor's court.

The following reclassifications and adjustments were posted to the financial statements and, where applicable, the accounting records for the year ended December 31, 2011:

- The Village recorded \$31,029 of intergovernmental revenues as property tax revenues in the General Fund.
- The Village classified the Mayor's Computer Court Fund Balance totaling \$13,296 as committed instead of restricted.
- Mayor's Court receipts and expenditures were not accounted for properly on the Village's accounting system, resulting in an adjustment to record \$63,400 in receipts, \$65,594 in expenditures
- Increased general government expenditures in the General fund by \$184 to record bank fees related to the Mayor's court.

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements. Not posting receipts and disbursements accurately to the ledgers resulted in materially misstated financial statements requiring numerous audit adjustments and reclassification entries, as well as inaccurate accounting records making it difficult for the Village Council to effectively manage and budget for the Village's activities.

We recommend the Village's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and AOS Bulletins. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year. In addition, the Village should establish financial recording and reporting control procedures, including review of the ledgers and financial reports by management or council.

The Village's financial statements and, where applicable, the accounting records have been adjusted to accurately reflect the proper line item and fund classification.

Official's Response: No response was received for this finding

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-005

Updating Accounting System- Material Weakness

The Village's budgetary reports should reflect the appropriations that have been approved by Council and documented in Village minutes.

The Village's accounting ledger reports did not include accurate budgetary information that agreed to the final amended Official Certificate of Estimated Resources and/or final amended Appropriation Measure. Therefore, the system was not reliable for the preparation of the notes to the financial statements and original records had to be obtained.

The following variances were identified for December 31, 2012:

Fund Number	Fund Name	Total Appropriations plus Amendments	Amount Reported in UAN	Variance
1000	General Fund	\$137,275	\$187,400	\$(50,125)
2081	Drug Law Enforcement Fund	\$0	\$2,000	\$(2,000)

The following variances were identified for December 31, 2012:

Fund Number	Fund Name	Total Estimated Receipts	Amount Reported in UAN	Variance
1000	General Fund	\$155,463	\$142,633	\$12,830
2011	Street Construction & Maintenance Fund	\$5,500	\$10,000	\$(4,500)
2901	Mayor's Court Computer Fund	\$4,400	\$4,000	\$400
2271	Enforcement & Education Fund	\$2,750	\$0	\$2,750

The following variances were identified as follows for December 31, 2011:

Fund Number	Fund Name	Total Appropriations plus Amendments	Amount Reported in UAN	Variance
1000	General Fund	\$72,950	\$106,326	\$(33,376)
2011	Street Construction & Maintenance Fund	\$6,516	\$15,000	\$(8,484)
2901	Mayor's Court Computer Fund	\$3,000	\$7,684	\$(4,684)

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-005 (Continued)

Updating Accounting System- Material Weakness (Continued)

The following variances were identified as follows for December 31, 2011:

Fund Number	Fund Name	Total Estimated Receipts	Amount Reported in UAN	Variance
1000	General Fund	\$121,700	\$195,121	\$(73,421)
2011	Street Construction & Maintenance Fund	\$7,000	\$10,000	(\$3,000)
2901	Mayor's Court Computer Fund	\$3,708	\$4,000	(\$292)
2271	Enforcement & Education Fund	\$3,708	\$0	\$3,708

Failure to properly update the accounting system with the most current Council approved amended certificates and appropriations provides the Village's management and members of Council with inaccurate budgetary information on the system generated reports. This enhances the Village's risk of expending more money than it receives because the related controls that are implemented in the system would not prevent instances of non-compliance.

The Fiscal Officer should update the Village's accounting system to ensure the system agrees with the last Amended Official Certificate of Estimated Resources and Annual Appropriation Measure approved by Council.

In addition, as noted in finding 2012-004, the Village does not have a monitoring system in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements, including the budgetary disclosures. The Village should establish financial recording and reporting control procedures, including review of the ledgers and financial reports by management or council.

Official's Response: No response was received for this finding

VILLAGE OF BRICE
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

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

FINDING NUMBER 2012-006

Book to Bank Reconciliations- Material Weakness

The Village had two bank accounts during the fiscal year, one for the Mayor's Court and another for the general activity of the Village. The reconciliations prepared by the Fiscal Officer for the general activity of the village were not performed timely, occurring up to five months after the completion of the month.

By not performing bank reconciliations in a timely manner, the Village is at risk of reconciling and financial statement reporting errors occurring and not being detected. The lack of timely reconciliations prohibits Council from having accurate, up to date financial information available to assist them in their decision making process.

We recommend the Village implement adequate procedures over the reconciliation and financial statement preparation process to help ensure bank reconciliations are completed in a timely manner to identify any unreconciled differences which may occur. We also recommend these reconciliations are presented to Council for review and approval.

Official's Response: Starting in 2014, the bank reconciliations are prepared monthly and presented to council for signatures at the next council meeting.

FINDING NUMBER 2012-007

Filing of Federal Tax Remittances- Non Compliance

26 U.S.C. § 3402 requires an employer to deduct and withhold Federal income tax from the compensation of Village officials. Withholdings are to be remitted to the Internal Revenue Services on a quarterly basis within 30 days following the end of the completed reporting period.

The Village is not making timely remittances of its federal withholdings.

Quarter	Filing Due date	Date Filed
2012 First	4/30/2012	8/26/2013
2012 Second	7/31/2012	8/20/2012
2012 Third	10/31/2012	12/31/2012
2012 Fourth	1/31/2013	Not filed as of 1/29/2014
2011 First	4/30/2011	9/5/2011
2011 Second	7/31/2011	11/7/2011
2011 Third	10/31/2011	2/6/2012
2011 Fourth	1/31/2012	3/26/2012

By not completing remittances in a timely manner the Village is at risk of paying incorrect amounts to the federal government and accruing additional costs through interest and penalties.

We recommend the Village complete federal withholding remittances within the required reporting deadlines.

Official's Response: As of the date of the audit, the reports are currently up-to-date and being filed in accordance with the time lines set.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Distribution of Revenues – ORC Section 5705.10	Yes	N/A
2010-02	Amended Certificates – ORC Section 5705.36	No	Not Corrected, Repeated as Finding 2012-002
2010-03	Appropriations Exceed Estimated Resources – ORC Section 5705.39	Yes	N/A
2010-04	Certification of Expenditures – ORC Section 5705.41 (D)(1)	No	Not Corrected, Repeated as Finding 2012-003
2010-05	Accounting of Receipts and Expenditures	No	Not Corrected, Repeated as Finding 2012-004



Dave Yost • Auditor of State

VILLAGE OF BRICE

FRANKLIN 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 15, 2014