



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 43209

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, 2014 and 2013.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 as of December 31, 2014 and 2013, or changes in financial position 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, 2014 and 2013, 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(D) permit, described in Note 1.

Emphasis of 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, 2014. Note 12 describes management's plan 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.

As discussed in Note 2 to the financial statements, the 2012 financial statements have been restated to reclassify the enterprise fund as a special revenue fund. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015, 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

October 28, 2015

**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, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 5,193	\$ -	\$ 5,193
Municipal Income Tax	38,851	-	38,851
Intergovernmental	7,259	5,118	12,377
Charges for Services	-	461	461
Fines, Licenses and Permits	193,463	-	193,463
Earnings on Investments	6	-	6
Miscellaneous	12,024	-	12,024
<i>Total Cash Receipts</i>	<u>256,796</u>	<u>5,579</u>	<u>262,375</u>
Cash Disbursements			
Current:			
Security of Persons & Property	197,421	310	197,731
Transportation	-	6,789	6,789
General Government	118,360	-	118,360
Debt Service:			
Principal Retirement	300	-	300
Interest and Fiscal Charges	793	-	793
<i>Total Cash Disbursements</i>	<u>316,874</u>	<u>7,099</u>	<u>323,973</u>
<i>Deficiency of Receipts Under Disbursements</i>	<u>(60,078)</u>	<u>(1,520)</u>	<u>(61,598)</u>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds	8,000	-	8,000
Sale of Capital Assets	30,293	-	30,293
Advances In	15,000	15,000	30,000
Advances Out	(15,000)	(15,000)	(30,000)
Other Financing Sources	44	-	44
<i>Total Other Financing Receipts (Disbursements)</i>	<u>38,337</u>	<u>-</u>	<u>38,337</u>
<i>Net Change in Fund Cash Balances</i>	(21,741)	(1,520)	(23,261)
<i>Fund Cash Balances, January 1 (restated)</i>	<u>7,848</u>	<u>34,468</u>	<u>42,316</u>
Fund Cash Balances, December 31			
Restricted	-	23,718	23,718
Assigned	-	9,230	9,230
Unassigned (Deficit)	(13,893)	-	(13,893)
<i>Fund Cash Balances, December 31</i>	<u>\$ (13,893)</u>	<u>\$ 32,948</u>	<u>\$ 19,055</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, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 8,457	\$ -	\$ 8,457
Municipal Income Tax	31,945	-	31,945
Intergovernmental	6,297	5,559	11,856
Fines, Licenses and Permits	221,717	7,563	229,280
Earnings on Investments	4	-	4
Miscellaneous	13,297	-	13,297
<i>Total Cash Receipts</i>	<u>281,717</u>	<u>13,122</u>	<u>294,839</u>
Cash Disbursements			
Current:			
Security of Persons & Property	158,873	2,218	161,091
Basic Utility Services	882	8	890
Transportation	-	3,964	3,964
General Government	136,170	6,587	142,757
Debt Service:			
Principal Retirement	1,800	-	1,800
Interest and Fiscal Charges	1,176	-	1,176
<i>Total Cash Disbursements</i>	<u>298,901</u>	<u>12,777</u>	<u>311,678</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,184)</u>	<u>345</u>	<u>(16,839)</u>
Other Financing Receipts (Disbursements)			
Transfers In	15,598	-	15,598
Transfers Out	-	(15,598)	(15,598)
Other Financing Sources	1,733	-	1,733
<i>Total Other Financing Receipts (Disbursements)</i>	<u>17,331</u>	<u>(15,598)</u>	<u>1,733</u>
<i>Net Change in Fund Cash Balances</i>	147	(15,253)	(15,106)
<i>Fund Cash Balances, January 1 (restated)</i>	<u>7,701</u>	<u>49,721</u>	<u>57,422</u>
Fund Cash Balances, December 31			
Restricted	-	25,699	25,699
Assigned	-	8,769	8,769
Unassigned	7,848	-	7,848
<i>Fund Cash Balances, December 31</i>	<u>\$ 7,848</u>	<u>\$ 34,468</u>	<u>\$ 42,316</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, 2014 AND 2013**

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 City of Columbus provides water and sewer utilities for the Village. The Village contracts with Truro Township to receive fire protection services.

The Village participates in one jointly governed organization and the Public Entities Pool of Ohio (PEP) public entity risk pool. Notes 9 and 11 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Village maintains all funds in an interest bearing checking account. The Village did not hold any investments for periods ending December 31, 2014 and 2013.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 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 received remittances from the Mayor's Court Agency Fund for police enforcement and education, when the Village was holding Mayor's Court during 2013.

Mayor's Court Computer Fund- This fund received remittances from the Mayor's Court Agency Fund for cost of maintains the court computer system, when the Village was holding Mayor's Court during 2013.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

VILLAGE OF BRICE
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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 2014 and 2013 budgetary activity appears in Note 4.

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.

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.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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 Fund Balance

For fiscal year 2013, the Village reclassified the Sewer Operating Fund (Enterprise Fund) to Special Revenue. This reclassification had the following effect on fund balance as reported at December 31, 2012:

	Special Revenue	Enterprise
Fund Balance December 31, 2012	\$40,944	\$8,777
Reclassification	8,777	(8,777)
Restated Fund Balance January 1, 2013	\$49,721	-

3. Equity in Pooled Deposits

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

	2014	2013
Demand deposits	\$19,055	\$42,316

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$345,741	\$310,133	(\$35,608)
Special Revenue	8,200	20,579	12,379
Total	\$353,941	\$330,712	(\$23,229)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$351,210	\$345,003	\$6,207
Special Revenue	42,667	22,568	20,099
Total	\$393,877	\$367,571	\$26,306

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$265,716	\$299,048	\$33,332
Special Revenue	14,420	13,122	(1,298)
Total	\$280,136	\$312,170	\$32,034

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$273,747	\$298,901	(\$25,154)
Special Revenue	56,800	28,375	28,425
Total	\$330,547	\$327,276	\$3,271

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$25,154, in the Drug Law Enforcement Fund by \$718 and in the Mayor's Court Computer Fund by \$13,658 for the year ended December 31, 2013.

Additionally, the Village did not encumber all commitments required by Ohio law for the year ended December 31, 2014 and 2013. Also, contrary to Ohio law, at December 31, 2014, the General Fund had a cash deficit balance of \$13,893.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(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.

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.

6. 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.

7. Debt

The Village entered into a Variable Rate Revolving Line of Credit for \$25,000 with PNC Bank. 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, 2014, the Village has an outstanding balance of \$24,802 with an available credit of \$198.

8. Retirement Systems

The Village's full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014

For 2014 and 2013, OP&F participants should have contributed 10% of their wages for January 1, 2013 – June 30, 2013; 10.75% of their wages for July 1, 2013 – June 30, 2014; and 11.5% of their wages for July 1, 2014 – December 31, 2014. For 2014 and 2013, the Village should have contributed to OP&F an amount equal to 19.5% of full-time police members' wages. During 2014 and 2013 the Village had two full-time law enforcement employees who were to be covered by Ohio Police and Fire (OP&F) Pension Plan. The employees paid the difference in the withholdings. The Village owes \$18,363 as of December 31, 2014 and is making monthly payments on the balance.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. 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 (BWC). The Village established a payment plan for its BWC payment due May 2014. The Village agreed to make 12 monthly payments of \$1,592.86. As of December 31, 2014 the Village owed \$9,849.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group 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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 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 net position at December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$3,798.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. 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>2013</u>	<u>2014</u>
\$7,022	\$5,755

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.

10. Contingent Liabilities

The Village is a defendant in a lawsuit with a former employee concerning employment termination. The lawsuit was settled in 2015 with all costs covered by liability insurance.

11. Jointly Governed Organization

The Village is a participant in the Mid-Ohio Regional Planning Commission (MORPC), a jointly governed organization. MORPC is composed of 74 representatives appointed by member governments who make up the Commission, the policy-making body of MORPC, and the oversight board. MORPC is a voluntary association of local governments in central and south central Ohio, and a regional planning agency whose membership includes 44 political subdivisions in and around Delaware, Fairfield, Fayette, Franklin, Knox, Licking, Madison, Marion, Morrow, Pickaway, Ross, and Union counties, Ohio. The purpose of the organization is to improve the quality of life for member communities by improving housing conditions, to promote and support livability/sustainability measures as a means of addressing regional growth challenges, and to administer and facilitate the availability of regional environmental infrastructure program funding to the full advantage of the MORPC's members. The Commission exercises total control over the operation of the MORPC's including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to representation on the Commission.

12. Management Plan

At December 31, 2014, the Village General Fund had an ending fund balance of \$(13,893) with an overall ending fund balance of \$19,055 and as of October 29, 2015, the General Fund balance has improved slightly to a balance of \$(13,455). Furthermore, the Village has drawn down \$24,802 of their \$25,000 line of credit to help support the operations of the Village. The Village is committed to improving their fund balance during fiscal year 2015. The Village has started to be pro-active with collecting past-due fines and is working to repay their line of credit.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

13. Related Party Transactions

Julia Evans, Fiscal Officer, is the mother of Mayor Amy Evans and Council Member Lori Runyon. The previous Fiscal Officer, who was terminated in 2013, is the sister-in-law of the current Fiscal Officer.

The Village paid \$500 during 2014 to Sara Shaw, cousin of the Mayor and a Council Member for making copies for public records requests.

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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, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated October 28, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Village has suffered recurring losses from its operations within the General Fund as described in Note 12. We also noted the Village restated its 2012 financial statements as described in Note 2.

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 opinion 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 2014-005 through 2014-006 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 2014-001 through 2014-004.

Village'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

October 28, 2015

VILLAGE OF BRICE
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

Certification of Funds – 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.

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 20 out of 26 expenditures tested during 2013 and 17 out of 22 expenditures tested during 2014.

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.

VILLAGE OF BRICE
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)

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

FINDING NUMBER 2014-001 (Continued)

Certification of Funds – Noncompliance (Continued)

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.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2014-002

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, 2013 at the fund level as follows:

Fund Number	Fund Name	Appropriation Authority	Total Expenditures	Variance
1000	General Fund	\$273,747	\$298,901	\$25,154
2081	Drug Law Enforcement Fund	\$1,500	\$2,218	\$718
2901	Mayor's Court Computer Fund	\$8,000	\$21,658	\$13,658

While the Village is required and does appropriate at a lower legal level of control, noncompliance at the fund level signifies the Village would also be noncompliant at their legal level of control.

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.

We recommend the Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

Officials' Response: We did not receive a response from Officials to this finding.

VILLAGE OF BRICE
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)

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

FINDING NUMBER 2014-003

Related Party Transactions – Noncompliance

Ohio Rev. Code §2921.42, §102.03(D) and (E) and Ohio Ethics Commission Op. 2010-03 state, in part, public officials and employees cannot: (a) hire or use their positions to secure employment for their family members; (b) recommend or nominate their family members for public jobs with their own, or any other, public agencies; or (c) give to their family members, or solicit or use their positions to secure for their family members, raises, promotions, job advancements, overtime pay or assignments, favorable performance evaluations, or any other things of value related to their employment.

1980 Ohio Ethics Commission Op. No. 80-001, at 1 has defined a family member as including, but not limited to: (a) grandparents; (b) parents; (c) spouse; (d) children, whether dependent or not; (e) grandchildren; (f) brothers and sisters; and (g) any person related by blood or marriage and residing in the same household." In addition to the public contract restrictions, **Ohio Rev. Code §102.03(D) and (E)** apply to public officials or employees when their family members are seeking employment with, or are employed by, the same public agency they serve.

The following issues were noted during the audit:

1. The Fiscal Officer (former Mayor's Court Clerk), Julia Evans, is the mother of the Mayor (former Council Member), Amy Evans and Council Member (former Deputy Mayor's Court Clerk), Lori Runyon. Council policies indicate all employees are hired by Council. Council appointed Amy Evans as Mayor on July 11, 2013 and hired Julia Evans as Fiscal Officer on August 15, 2013, however, Lori Runyon did not abstain from voting.
2. Lori Runyon was appointed to Council on July 11, 2013, at which time her sister, Amy Evans, was a Council member. Amy did not abstain for voting when her sister was appointed Council member.
3. The Mayor, Amy Evans, signs all checks for the Village, with Council President sometimes signing the checks as well. Beginning July 11, 2013 through December 31, 2014, the Mayor was the sole signor on checks for her mother, her sister, and herself.
4. During fiscal year 2013, Lori Runyon was the Deputy Mayor's Court Clerk from January 1, 2013 through July 11, 2013. The pay rate for this position was approved by Council during fiscal year 2012. During this time, her timesheets were approved by her mother, who was the Mayor's Court Clerk at that time.
5. During fiscal year 2014, the Village paid \$500 to a cousin of Lori Runyon and Amy Evans and niece of Julia Evans to make copies for a public records request. This payment was not previously approved by Council.
6. The former Fiscal Officer, Sandy Welling, is the sister-in-law of Julia Evans and Aunt of Amy Evans and Lori Runyon. Lori Runyon did not abstain from voting when Council terminated Sandy Welling in September 2013.

VILLAGE OF BRICE
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)

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

FINDING NUMBER 2014-003 (Continued)

Related Party Transactions – Noncompliance (Continued)

Failure to ensure Village management is independent during hiring employees, from vendors and all other related party transactions could result in the Village entering into contracts that might not be in the best interest of the Village.

We recommend the Village take appropriate steps to verify that management is independent during all transactions and policies and procedures are in place to detect and appropriately address any conflicts of interest.

These matters will be referred to the Ohio Ethics Commission.

Official's Response: It is true that there are a number of individuals that are related. Julia Evans was hired by Christy Smith (Mayor at the time) as the Court Clerk. When Sandy Welling was terminated the Mayor (Amy Evans) ran an ad and interviewed a number of individuals for the Fiscal Officer position, at which time Cary A. Maybury was hired. It was never Julia's intention to be the Fiscal Officer because of the relationship with Sandy Welling. The Village understood that Sandy was not doing her job. She did not do the bank reconciliation for over 8 months, along with a number of other issues. Julia was placed in the position as Acting Fiscal Officer, after Cary Maybury left employment with the Village. Most of the individuals that interviewed for the position were already making more money than they would start out with in the Village, making it very hard to find someone with accounting experience.

In regards to Sara Shaw, she was hired by Police Chief James Ebersbach. The Village has emails between him and Sara; she reported directly to him. The Village had a policy that the Mayor could spend up to \$1,000 without going to Council for permission. The policy also gave the Chief permission to spend up to \$500 without Council permission. She worked for about a month (part-time) making copies for the public records requests.

The Village has a small budget; therefore it is hard to find competent employees that are willing to work for \$9.75-\$10.00 per hour and not get pay increases.

FINDING NUMBER 2014-004

Negative Fund Balance - Noncompliance

Ohio Rev. Code §5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a negative fund balance indicates money from other funds was used to cover the expenditures of this fund, contrary to Ohio law.

The General Fund had a negative fund balance at December 31, 2014 in the amount of \$(13,893).

Failure to monitor budgetary activity can result in overspending and negative fund balances. The management of the Village should monitor the Village's budgetary receipts and expenditures by having the clerk provide budgetary reports at least quarterly to be reviewed and approved by Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-004 (Continued)

Negative Fund Balance – Noncompliance (Continued)

code balances, and will be better prepared for making decisions which affect the overall cash position of the Village.

We recommend the Village monitor fund balances to ensure that expenditures are made within appropriated levels of available funds.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2014-005

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 Estimate Resources and/or the final amended Appropriation Measure. Therefore, the system is not reliable for comparing budgetary estimates to actual results.

The following variances were identified for December 31, 2013 in regards to appropriations:

Fund Number	Fund Name	Total Appropriations plus Amendments	Appropriations Reported in UAN	Variance
1000	General Fund	\$273,417	\$288,847	\$15,100
2081	Drug Law Enforcement Fund	\$1,500	\$2,830	\$1,330
2901	Mayor's Court Computer Fund	\$16,300	\$17,000	\$700

The following variances were identified for December 31, 2013 in regards to estimated receipts:

Fund Number	Fund Name	Total Estimated Receipts	Estimated Receipts Reported in UAN	Variance
1000	General Fund	\$265,716	\$172,125	\$93,591
2011	Street Construction & Maintenance Fund	\$10,300	\$10,000	\$300
2081	Drug Law Enforcement Fund	\$0	\$1,000	\$(1,000)
5201	Sewer Operating Fund	\$0	\$100	\$(100)

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-005 (Continued)

Updating Accounting System – Material Weakness (Continued)

The following variances were identified for December 31, 2014 in regards to appropriations:

Fund Number	Fund Name	Total Appropriations plus Amendments	Appropriations Reported in UAN	Variance
1000	General Fund	\$351,210	\$330,710	\$20,500
2081	Drug Law Enforcement Fund	\$5,865	\$800	\$5,065
5201	Sewer Operating Fund	\$8,768	\$0	\$8,768

The following variances were identified for December 31, 2014 in regards to estimated receipts:

Fund Number	Fund Name	Total Estimated Receipts	Estimated Receipts Reported in UAN	Variance
1000	General Fund	\$345,741	\$351,210	\$(5,469)

The above noted errors also create potential for errors in the notes to the financial statements, since the Village compiles their note disclosures based on system information.

Failure to properly update the accounting system with the most current Council approved appropriations and amended certificates provides the Village's management and Council with inaccurate budgetary information on the system generated reports. This increases 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.

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

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2014-006

Financial Reporting – Material Weakness

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

VILLAGE OF BRICE
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)

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

FINDING NUMBER 2014-006 (Continued)

Financial Reporting – Material Weakness (Continued)

The following were material to the Village's financial statements and were adjusted on the financial statements posted to the Village's accounting records:

- Reclassification from Miscellaneous Revenue to Debt Proceeds of \$8,000 and Sale of Capital Assets of \$30,293 in the General Fund during 2014.
- Reclassification from Advances In to Transfers in within the General Fund and from Advances Out to Transfers Out within the Special Revenue Funds of \$9,000 in 2014 and \$15,598 in 2013.
- Understatement of Fines, Licenses, and Permits within the General Fund by \$5,062 in 2014 and \$3,006 in 2013.
- Reclassification from Special Assessments to Charges for Services within the Sewer Fund of \$461 in 2014.
- Adjustment to move expenditures in the amount of \$8 from the Enterprise Fund in 2013 to the Special Revenue Fund.
- Adjustment to move beginning fund balance in the amount of \$8,777 from the Enterprise Fund in 2013 to the Special Revenue Fund.
- Adjustment to move ending fund balance in the amount of \$8,769 from the Enterprise Fund in 2013 to the Special Revenue Fund.
- Adjustment to move revenue in the amount of \$461 from the Enterprise Fund in 2014 to the Special Revenue Fund.
- Adjustment to move beginning fund balance in the amount of \$8,769 from the Enterprise Fund in 2014 to the Special Revenue Fund.
- Adjustment to move ending fund balance in the amount of \$9,230 from the Enterprise Fund in 2014 to the Special Revenue Fund.

The following were not material to the Village's financial statements and were not posted to the Village's accounting records:

- Gross-up of General Government and Municipal Income Tax in the General Fund by \$1,211 in 2014.
- Gross-up of General Government and Sale of Capital Assets in the General Fund by \$16,755 in 2014.
- Reclassification from Unassigned to Assigned Fund Balance in the General Fund of \$13,129 in 2014.

Lack or failure of controls in place over the posting of financial transactions and financial reporting can result in errors that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Village develop and enhance policies and procedures over financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increasing the reliability of the financial data and reporting.

Officials' Response: We did not receive a response from Officials to this finding.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code § 5705.41(B), expenditures exceeding appropriations	No	Partially Corrected, Repeated as Finding 2014-003
2012-002	Ohio Rev. Code § 5705.36, actual receipts exceeding estimated receipts	No	Finding No Longer Valid
2012-003	Ohio Rev. Code § 5705.41(D), prior certification of funds	No	Not Corrected, Repeated as Finding 2014-001
2012-004	Financial Statement Presentation	No	Not Corrected, Repeated as Finding 2014-006
2012-005	Updating budgetary amounts in the accounting system	No	Not Corrected, Repeated as Finding 2014-005
2012-006	Book to Bank Reconciliation not performed timely	No	Partially Corrected. Repeated as Management Letter comment.
2012-007	Filing of Federal Tax Remittances not completed timely	No	Partially Corrected, Repeated as Management Letter comment

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code § 5705.41(B), expenditures exceeding appropriations	No	Partially Corrected, Repeated as Finding 2014-003
2012-002	Ohio Rev. Code § 5705.36, actual receipts exceeding estimated receipts	No	Finding No Longer Valid
2012-003	Ohio Rev. Code § 5705.41(D), prior certification of funds	No	Not Corrected, Repeated as Finding 2014-001
2012-004	Financial Statement Presentation	No	Not Corrected, Repeated as Finding 2014-006
2012-005	Updating budgetary amounts in the accounting system	No	Not Corrected, Repeated as Finding 2014-005
2012-006	Book to Bank Reconciliation not performed timely	No	Partially Corrected. Repeated as Management Letter comment.
2012-007	Filing of Federal Tax Remittances not completed timely	No	Partially Corrected, Repeated as Management Letter comment

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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
DECEMBER 3, 2015