

**VILLAGE OF BRICE
FRANKLIN COUNTY
Regular Audit
For the Years Ended December 31, 2010 and 2009**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Members of Council
Village of Brice
5990 Columbus Street
PO Box 65
Brice, Ohio 43109

We have reviewed the *Independent Accountants' Report* of the Village of Brice, Franklin County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Dave Yost
Auditor of State

June 9, 2011

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**VILLAGE OF BRICE
FRANKLIN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

May 6, 2011

Village of Brice
Franklin County
3980 Rhodes Ave
Brice, Ohio 45662

To the Village Council:

We have audited the accompanying financial statements of the **Village of Brice**, Franklin County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009 or their changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Brice, Franklin County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Note 9 to the financial statements, the Village has suffered recurring net losses and has a deficit in the General Fund. These conditions raise substantial doubt about the Village's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Local Taxes	\$ 8,619	\$ -	\$ 8,619
Municipal Income Taxes	45,648	-	45,648
Intergovernmental	11,938	6,850	18,788
Charges for Services	3,210	-	3,210
Fines, Licenses, and Permits	37,815	3,158	40,973
Earnings on Investments	29	-	29
Miscellaneous	710	-	710
	<u>\$107,969</u>	<u>10,008</u>	<u>117,977</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	58,204	-	58,204
Community Environment	-	1,766	1,766
Basic Utility Services	10,380	-	10,380
Transportation	-	6,978	6,978
General Government	45,505	2,919	48,424
Debt Service:			
Redemption of Principal	1,403	-	1,403
Interest and Fiscal Charges	1,055	-	1,055
	<u>116,547</u>	<u>11,663</u>	<u>128,210</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Disbursements	<u>(8,578)</u>	<u>(1,655)</u>	<u>(10,233)</u>
Other Financing Receipts:			
Other Financing Sources	<u>3,263</u>	<u>-</u>	<u>3,263</u>
Total Other Financing Receipts	<u>3,263</u>	<u>-</u>	<u>3,263</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(5,315)	(1,655)	(6,970)
Fund Cash Balances, January 1	<u>(13,097)</u>	<u>28,485</u>	<u>15,388</u>
Fund Cash Balances, December 31	<u>\$ (18,412)</u>	<u>\$ 26,830</u>	<u>\$ 8,418</u>
Reserve for Encumbrances, December 31	<u>\$ 658</u>	<u>\$ -</u>	<u>\$ 658</u>

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

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Non-Operating Cash Receipts/Disbursements:			
Other Non-Operating Cash Receipts	-	51,382	51,382
Other Non-Operating Cash Disbursements	-	48,947	48,947
Total Non-Operating Cash Receipts/Disbursements	-	2,435	2,435
Net Receipts Over/(Under) Cash Disbursements	-	2,435	2,435
Fund Cash Balances, January 1	8,977	759	9,736
Fund Cash Balances, December 31	<u>\$ 8,977</u>	<u>\$ 3,194</u>	<u>\$ 12,171</u>

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

**VILLAGE OF BRICE
FRANKLIN COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Local Taxes	\$ 9,191	\$ 779	\$ 9,970
Municipal Income Taxes	76,239	-	76,239
Intergovernmental	11,425	12,589	24,014
Fines, Licenses, and Permits	38,769	3,618	42,387
Earnings on Investments	109	-	109
Miscellaneous	626	-	626
	<u>136,359</u>	<u>16,986</u>	<u>153,345</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	73,484	-	73,484
Basic Utility Services	10,322	-	10,322
Transportation	-	24,135	24,135
General Government	53,425	3,115	56,540
Debt Service:			
Redemption of Principal	2,600	-	2,600
Interest and Fiscal Charges	1,315	-	1,315
	<u>141,146</u>	<u>27,250</u>	<u>168,396</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Disbursements	<u>(4,787)</u>	<u>(10,264)</u>	<u>(15,051)</u>
Other Financing Receipts:			
Other Financing Sources	86	-	86
Total Other Financing Receipts	<u>86</u>	<u>-</u>	<u>86</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(4,701)	(10,264)	(14,965)
Fund Cash Balances, January 1	<u>(8,396)</u>	<u>38,749</u>	<u>30,353</u>
Fund Cash Balances, December 31	<u>\$ (13,097)</u>	<u>\$ 28,485</u>	<u>\$ 15,388</u>
Reserve for Encumbrances, December 31	<u>\$ 1,057</u>	<u>\$ -</u>	<u>\$ 1,057</u>

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

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Non-Operating Cash Receipts/Disbursements:			
Other Non-Operating Cash Receipts	-	53,458	53,458
Other Non-Operating Cash Disbursements	(2,821)	52,770	49,949
Total Non-Operating Cash Receipts/Disbursements	(2,821)	688	(2,133)
Net Receipts Over/(Under) Cash Disbursements	(2,821)	688	(2,133)
Fund Cash Balances, January 1	11,798	71	11,869
Fund Cash Balances, December 31	<u>\$ 8,977</u>	<u>\$ 759</u>	<u>\$ 9,736</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, 2010 AND 2009**

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 (the Village), as a body corporate and politic. A publicly elected six-member Council governs the Village. The Village provides general governmental services and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters the Auditor of State prescribes.

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, 2010 and December 31, 2009.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village has 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.

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 significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Water and Sewer Fund – This fund maintains a fund balance in the event of sewage problems in which the Village would be required to pay damages.

4. Fiduciary Funds (Agency Funds)

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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 had the following significant Fiduciary Funds:

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

E. Budgetary Process

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

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made.

Encumbrances outstanding at year end are carried over, and need not be reappropriated in the subsequent year.

A summary of 2010 and 2009 budgetary activity appears in Note 5.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

	<u>2010</u>	<u>2009</u>
Demand deposits	<u>\$20,589</u>	<u>\$25,124</u>

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

3. 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 19th, 2007 and as of December 31, 2010 the Village had an outstanding balance of \$21,797 with an available credit of \$3,203.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$124,721	\$111,232	(\$13,489)
Special Revenue	8,585	10,008	1,423
Enterprise	10,091	-	(10,091)
Total	\$133,306	\$121,240	(\$12,066)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$110,204	\$117,205	(\$7,001)
Special Revenue	34,627	11,663	22,964
Enterprise	19,000	-	19,000
Total	\$163,831	\$128,868	\$34,963

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$132,168	\$136,445	\$4,277
Special Revenue	8,335	16,986	8,651
Enterprise	3,000	-	(3,000)
Total	\$140,503	\$153,431	\$12,928

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$133,771	\$142,203	(\$8,432)
Special Revenue	37,000	27,250	9,750
Enterprise	10,000	2,821	7,179
Total	\$180,771	\$172,274	\$8,497

Contrary to Ohio Revised Code Section 5705.10, money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The Village had a negative fund balance in the General Fund as of December 31, 2010 and 2009.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Revised Code Section 5705.36, all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. During 2010 and 2009, the Village did not obtain a reduced or increased amended certificate for several funds when the actual receipts were greater or less than the budgeted receipts.

Contrary to Ohio Revised Code Section 5705.39, total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Village had appropriations that exceeded estimated resources in the General Fund during 2009, and the Street Construction Maintenance & Repair Fund in 2010 and 2009.

Contrary to Ohio Revised Code Section 5705.41(B) no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated. Actual disbursements exceeded appropriations in the General Fund in 2010 and 2009.

Contrary to Ohio Revised Code Section 5705.41(D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 67% of expenditures tested during 2010 and 71% of expenditures testing during 2009.

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, or business activities within the Village as well as certain income of residents earned outside of the Village. The income tax was passed from 1% to 2% on November 6, 2009.

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.

In 2009, a Company overpaid 2008 taxes by a significant amount. The Village is currently determining a resolution to the matter.

7. RETIREMENT SYSTEMS

The Village's full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. Members of OPERS contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), 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, 2009, 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, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. RISK MANAGEMENT (Continued)

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Government's share of these unpaid claims collectible in future years is approximately \$6,000.

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.

2010 was the Village's first year with PEP. Previously, the Village was a member of the Ohio Member League Joint Self Insurance Pool.

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. GOING CONCERN

The Village expenses have exceeded revenues for the years of 2009, and 2010 and the General Fund has a deficit at the end of 2010 and 2009.

While the Village is in a positive cash balance position, some of the cash is in the Enterprise and Street Construction Funds. The uses of these funds are limited either by statute or by levy ballot language and therefore, the Village is not permitted to use these monies to remedy the deficit balances.

The Auditor of State has various remedies available to it, the most severe of which include placing the Village on fiscal watch or fiscal emergency. The Village does not know if such action will be taken.

The accompanying financial statements do not include any adjustments that might be necessary if the Village is unable to continue as a going concern.

The Village has taken measures to significantly reduce costs and generate revenues. Subsequent to December 31, 2010, the Village received estate tax of approximately \$30,000. This receipt and the reduced expenditures have the General Fund in a positive balance in 2011.

Perry & Associates
Certified Public Accountants, A.C.

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

May 6, 2011

Village of Brice
Franklin County
3980 Rhodes Ave
Brice, Ohio 45662

To the Village Council:

We have audited the financial statements of the **Village of Brice**, Franklin County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 6, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and wherein we noted the financial statements were prepared assuming the Village will continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-01 and 2010-06 described in the accompanying schedule of audit findings to be material weaknesses.

Internal Control Over Financial Reporting (Continued)

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 2010-02 through 2010-05 described in the accompanying schedule of audit findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standard* which are described in the accompanying schedule of audit findings as items 2010-001 through 2010-005.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

VILLAGE OF BRICE
FRANKLIN COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 and 2009

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

FINDING NUMBER 2010-001

Noncompliance Citation/ Material Weakness

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

The Village had negative fund balance at December 31, 2010 and 2009 as follows:

<u>Fund</u>	<u>2010</u>	<u>2009</u>
General Fund	\$ (18,412)	\$ (13,097)

We recommend the Village monitor their fund balances and, when a deficit occurs and is expected to be temporary (i.e., pending the receipt of a grant, tax settlement, etc), we recommend the Village advance monies from the General Fund until the debtor fund can advance the monies back. In this case we recommend that expenditures and income be watched closer by the Fiscal Officer and Council to prevent the General Fund from going into the negative.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2010-002

Noncompliance Citation/Significant Deficiency

Ohio Revised Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

During 2010 and 2009, the Village did not obtain a reduced or increased amended certificate for several funds when the actual receipts were greater or less than the budgeted receipts.

The Village should perform a comparison of the estimated resources and the actual receipts periodically in order to determine whether an amended certificate of estimated resources needs to be obtained.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 and 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-003

Noncompliance Citation/ Significant Deficiency

Ohio Revised Code Section 5705.39 provides that the total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded the total estimated resources for the General Fund during 2009 and the Street Construction, Maintenance, and Repair Fund in 2009 and 2010.

The Village should obtain a certificate from the County Auditor stating that the total appropriations do not exceed the total estimated resources whenever an amendment is made to the original appropriation measure.

Management’s Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2010-004

Noncompliance Citation/Significant Deficiency

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the 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. The certificate need be signed only by the subdivision’s fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 AUDIT FINDINGS
DECEMBER 31, 2010 and 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-004 (Continued)

Ohio Revised Code § 5705.41(D) (Continued)

1. “Then and Now” certificate - 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due.

The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. Blanket Certificate – 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 entity 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 operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 67% and 71% of the expenditures tested during 2010 and 2009, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions.

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 that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

Management’s Response – We did not receive a response from officials to this finding.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 and 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-005

Noncompliance Citation/Significant Deficiency

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in the General Fund in 2010 and 2009.

We recommend the Village Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2010-006

Material Weakness

Accounting for Receipts and Expenditures

Monitoring controls are procedures and supervisory activities performed by management to help ensure that management's objectives are being achieved, including the objective of assuring accurate and reliable financial reports for external reporting purposes. Effective monitoring controls should enable management to identify misclassifications, errors, and omissions in financial reports.

The Fiscal Officer did not accurately post all receipts and expenditures to the Village's accounting ledgers. Examples of misclassifications are as follows:

- Mayor's Court receipts and expenditures were not accounted for on the Village's accounting system properly in 2010 and 2009.
- Intergovernmental receipts were misclassified as property tax receipts.

The accompanying financial statements reflect all adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements. We also recommend the Fiscal Officer refer to the Village Handbook for guidance to determine the proper classification of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF BRICE
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Distribution of Revenues – ORC Section 5705.10	No	Repeated at Finding 2010-001
2006-002	Amended Certificates – ORC Section 5705.36	No	Repeated at Finding 2010-002
2006-003	Appropriations Exceed Estimated Resources – ORC Section 5705.39	No	Repeated at Finding 2010-003
2006-004	Certification of Expenditures – ORC Section 5705.41 (D) (1)	No	Repeated at Finding 2010-004
2006-005	Accounting for Receipts and Expenditures	No	Repeated at Finding 2010-005
2006-006	Advance of Funds – Auditor of State Bulletin 97-003	Yes	

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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
JUNE 21, 2011