

Village of Brice  
Franklin County, Ohio  
Regular Audit  
For the Years Ended December 31, 2004 and 2003

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

Village Council  
Village of Brice  
5990 Columbus St.  
P.O. Box 65  
Brice, OH 43109

We have reviewed the *Independent Auditor's Report* of the Village of Brice, Franklin County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2003 through December 31, 2004. 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 Auditor's 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 Auditor's 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

February 15, 2006

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**Village of Brice, Ohio**  
*For the Years Ended December 31, 2004 and 2003*  
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Ohio Society of Certified Public Accountants

## Independent Auditor's Report

Village Council  
Village of Brice  
Franklin County, Ohio  
5990 Columbus Street, P.O. Box 65  
Brice, Ohio 43109

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, 2004 and 2003. 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village, as of the December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Village Council  
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The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 December 27, 2005, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.  
December 27, 2005

**Village of Brice Ohio**  
*Combined Statement of Cash Receipts, Cash Disbursements, And Changes in Fund Cash  
Balances - All Governmental Fund Types  
For the Year Ended December 31, 2004*

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$13,817	\$106	\$13,923
Income Taxes	27,229	0	27,229
Intergovernmental	14,985	12,061	27,046
Fines, Licenses, & Permits	34,760	4,679	39,439
Interest	1,005	0	1,005
Miscellaneous	3,873	0	3,873
Total Cash Receipts	<u>95,669</u>	<u>16,846</u>	<u>112,515</u>
Cash Disbursements:			
Security of Persons & Property	57,881	0	57,881
Basic Utility Services	7,473	0	7,473
Transportation	0	2,611	2,611
General Government	47,768	0	47,768
Total Cash Disbursements	<u>113,122</u>	<u>2,611</u>	<u>115,733</u>
Total Receipts Over/(Under) Disbursements	(17,453)	14,235	(3,218)
Other Financing Uses:			
Other Financing Uses	(53)	0	(53)
Total Other Financing Uses	<u>(53)</u>	<u>0</u>	<u>(53)</u>
Total Receipts Over/(Under) Disbursements and Other Financing Uses	(17,506)	14,235	(3,271)
Fund Cash Balances, January 1	<u>51,727</u>	<u>9,646</u>	<u>61,373</u>
Fund Cash Balances, December 31	<u>\$34,221</u>	<u>\$23,881</u>	<u>\$58,102</u>
Reserved for Encumbrances, December 31	<u>\$557</u>	<u>\$0</u>	<u>\$557</u>

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



**Village of Brice Ohio**  
*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, 2004*

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Non-Operating Cash Receipts:			
Charges for Services	\$1,420	\$0	\$1,420
Fines and Forfeitures	<u>0</u>	<u>47,538</u>	<u>47,538</u>
Total Non-Operating Cash Receipts	1,420	47,538	48,958
Non-Operating Cash Disbursements:			
Contractual Services	1,046	0	1,046
Distribution of Fines and Forfeitures	<u>0</u>	<u>40,095</u>	<u>40,095</u>
Total Non-Operating Cash Disbursements	<u>1,046</u>	<u>40,095</u>	<u>41,141</u>
Non-Operating Cash Receipts Over Non-Operating Cash Disbursements	374	7,443	7,817
Fund Cash Balances, January 1	<u>8,174</u>	<u>3,569</u>	<u>11,743</u>
Fund Cash Balances, December 31	<u><u>\$8,548</u></u>	<u><u>\$11,012</u></u>	<u><u>\$19,560</u></u>

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

**Village of Brice Ohio**  
*Combined Statement of Cash Receipts, Cash Disbursements, And Changes in Fund Cash  
Balances - All Governmental Fund Types  
For the Year Ended December 31, 2003*

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$11,032	\$2,256	\$13,288
Income Taxes	45,945	0	45,945
Intergovernmental	13,714	6,539	20,253
Fines, Licenses, & Permits	20,200	2,915	23,115
Interest	747	0	747
Miscellaneous	448	0	448
Total Cash Receipts	<u>92,086</u>	<u>11,710</u>	<u>103,796</u>
Cash Disbursements:			
Security of Persons & Property	40,163	0	40,163
Community Environment	1,233	0	1,233
Basic Utility Services	6,156	0	6,156
Transportation	0	16,854	16,854
General Government	53,246	10,127	63,373
Total Cash Disbursements	<u>100,798</u>	<u>26,981</u>	<u>127,779</u>
Total Receipts Under Disbursements	(8,712)	(15,271)	(23,983)
Other Financing Uses:			
Transfers Out	(3,000)	0	(3,000)
Total Other Financing Uses	<u>(3,000)</u>	<u>0</u>	<u>(3,000)</u>
Total Receipts and Other Financing Sources Over/ (Under) Disbursements and Other Financing Uses	(11,712)	(15,271)	(26,983)
Fund Cash Balances, January 1	<u>63,439</u>	<u>24,917</u>	<u>88,356</u>
Fund Cash Balances, December 31	<u>\$51,727</u>	<u>\$9,646</u>	<u>\$61,373</u>
Reserved for Encumbrances, December 31	<u>\$1,976</u>	<u>\$0</u>	<u>\$1,976</u>

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

**Village of Brice Ohio**  
*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, 2003*

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Non-Operating Cash Receipts:			
Fines and Forfeitures	\$0	\$28,295	\$28,295
Total Non-Operating Cash Receipts	<u>0</u>	<u>28,295</u>	<u>28,295</u>
Non-Operating Cash Disbursements:			
Contractual Services	2,615	0	2,615
Distribution of Fines and Forfeitures	0	29,070	29,070
Total Non-Operating Cash Disbursements	<u>2,615</u>	<u>29,070</u>	<u>31,685</u>
Non-Operating Cash Receipts Over/(Under) Non-Operating Cash Disbursements	(2,615)	(775)	(3,390)
Other Financing Sources:			
Transfers In	3,000	0	3,000
Total Other Financing Sources	<u>3,000</u>	<u>0</u>	<u>3,000</u>
Net Receipts Over/(Under) Disbursements	385	(775)	(390)
Fund Cash Balances, January 1	<u>7,789</u>	<u>4,344</u>	<u>12,133</u>
Fund Cash Balances, December 31	<u><u>\$8,174</u></u>	<u><u>\$3,569</u></u>	<u><u>\$11,743</u></u>

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

**Village of Brice, Ohio**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2004 and 2003*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

The Village of Brice, Franklin County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides 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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Demand deposits include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

D. Fund Accounting

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

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

3. Enterprise Funds – These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered 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 for damages. In 2003, a transfer of monies from the general fund was received in this fund. There was also expenditure activity that occurred during 2004 and 2003.

**Village of Brice, Ohio**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2004 and 2003*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Fund Accounting (Continued)

4. Agency Fund – This fund accounts for activity for which the Village is acting in an agency capacity. The Village had the following significant Agency Fund:

*Mayor's Court Fund* – This fund accounts for the financial activity of the Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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 Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Total columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with accounting principles generally accepted in the United States of America, nor is such data comparable to a consolidation.

**Village of Brice, Ohio**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2004 and 2003

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**NOTE 2 – EQUITY IN POOLED CASH**

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

	2004	2003
Demand deposits	\$77,662	\$73,116

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

**NOTE 3 – BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

Fund Type	<u>2004 Budgeted vs. Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General	\$99,483	\$95,669	(\$3,814)
Special Revenue	12,108	16,846	4,738
Enterprise	14,214	1,420	(12,794)
Total	\$125,805	\$113,935	(\$11,870)

Fund Type	<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$127,000	\$113,732	\$13,268
Special Revenue	23,400	2,611	20,789
Enterprise	10,000	1,046	8,954
Total	\$160,400	\$117,389	\$43,011

Fund Type	<u>2003 Budgeted vs. Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General	\$102,892	\$92,086	(\$10,806)
Special Revenue	18,177	11,710	(6,467)
Enterprise	0	3,000	3,000
Total	\$121,069	106,796	(\$14,273)

Fund Type	<u>2003 Budgeted vs. Actual Budgetary Basis Expenditures</u>		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$135,350	\$105,774	\$29,576
Special Revenue	39,000	26,981	12,019
Enterprise	5,000	2,615	2,385
Total	\$179,350	\$135,370	\$43,980

The Village incurred instances of appropriations exceeding available resources and estimated resources, which is contrary to Ohio Revised Code Sections 5705.36 and 5705.39, respectively.

**Village of Brice, Ohio**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2004 and 2003*

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**NOTE 4 – PROPERTY TAX**

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

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.

**NOTE 5 – RETIREMENT SYSTEMS**

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS are cost-sharing, multiple-employer plan. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, PERS members contributed 8.5% of their gross wages. The Village contributed an amount equal to 13.55% of participants' gross wages for 2004 and 2003. The Village has paid all contributions required through December 31, 2004.

**NOTE 6 – RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- General liability and casualty
- Vehicles
- Public officials' liability

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The Village has not incurred significant reductions in insurance coverage from the prior year by category or risk.

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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Ohio Society of Certified Public Accountants

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Village Council  
Village of Brice  
Franklin County, Ohio  
5990 Columbus Street, P.O. Box 65  
Brice, Ohio 43109

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, 2004 and 2003, and have issued our report thereon dated December 27, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2004-1 and 2004-2.

We also noted certain matters which we reported to management of the Village in a separate letter dated December 27, 2005.



Village Council  
Village of Brice  
Report on Internal Control and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of management and members of the Board, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
December 27, 2005

**Village of Brice, Ohio**  
*Schedule of Findings*  
For the Years Ended December 31, 2004 and 2003

Finding Related to the Financial Statements Required to be Reported in Accordance with GAGAS
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**Finding Number 2004-1**

*Amended certificates*

Ohio Revised Code Section 5705.36 states that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. Several material instances were noted where unencumbered beginning balances plus actual receipts were exceeded by appropriations. Failure to monitor budgetary information and amend figures as appropriate could result in the overspending. The Village should monitor its budgetary information on a periodically basis, preferably monthly, and amend information as necessary to ensure compliance with budgetary law.

**Finding Number 2004-2**

*Appropriations in excess of estimated revenue*

Ohio Revised Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue. Several material instances were noted where appropriations were in excess of estimated revenue. Failure to monitor budgetary information and amend figures as appropriate could result in overspending and inappropriate decisions made based on inaccurate budgetary financial data. The Village should monitor its budgetary information on a periodically basis, preferably monthly, and amend information as necessary to ensure compliance with budgetary law.

Corrective Action Plan
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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-1	Management will more closely monitor the budgetary process to ensure compliance with Ohio Revised Code Section 5705.36.	12/31/05	Sandra Welling, Clerk/Treasurer
2004-2	Management will more closely monitor the budgetary process to ensure compliance with Ohio Revised Code Section 5705.36.	12/31/05	Sandra Welling, Clerk/Treasurer



**Auditor of State  
Betty Montgomery**

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**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  
MARCH 2, 2006**