



**Auditor of State  
Betty Montgomery**



**VILLAGE OF BROUGHTON  
PAULDING COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Broughton  
Paulding County  
7774 Broughton Pike  
Paulding, Ohio 45879-9613

To the Village Council:

We have audited the accompanying financial statements of the Village of Broughton, Paulding County, (the Village) as of and for the years ended December 31, 2003 and 2002. 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 audits.

We conducted our audits 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. 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 23, 2004

**VILLAGE OF BROUGHTON  
PAULDING COUNTY**

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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Property Tax and Other Local Taxes	\$ 2,641	\$ 1,327	\$ 3,968
Intergovernmental Receipts	8,235	5,113	13,348
Fines, Licenses, and Permits	20	-	20
Earnings on Investments	4	24	28
Miscellaneous	7,080	-	7,080
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	17,980	6,464	24,444
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	138	1,271	1,409
Public Health Services	114	-	114
Basic Utility Services	1,538	-	1,538
Transportation	-	650	650
General Government	14,558	287	14,845
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	16,348	2,208	18,556
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	1,632	4,256	5,888
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	6,338	48,492	54,830
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 7,970</b>	<b>\$ 52,748</b>	<b>\$ 60,718</b>
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THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF BROUGHTON  
PAULDING COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Property Tax and Other Local Taxes	\$ 1,505	\$ 1,547	\$ 3,052
Intergovernmental Receipts	8,025	4,814	12,839
Charges for Services	790	-	790
Fines, Licenses, and Permits	10	-	10
Miscellaneous	952	62	1,014
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	11,282	6,423	17,705
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	713	1,229	1,942
Basic Utility Services	3,302	-	3,302
Transportation	-	2,639	2,639
General Government	10,683	275	10,958
Capital Outlay	3,307	-	3,307
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	18,005	4,143	22,148
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(6,723)	2,280	(4,443)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	13,061	46,212	59,273
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 6,338</b>	<b>\$ 48,492</b>	<b>\$ 54,830</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**VILLAGE OF BROUGHTON  
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Broughton, Paulding County, (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 police services. The Village contracts with the Village of Paulding for emergency medical services, and is a member of the Paulding Community Fire Association which provides fire protection.

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. 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 BROUGHTON  
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**2. Special Revenue Fund**

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.

Fire Levy Fund – Receives property taxes to provide fire and EMS services to the Village.

**D. 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 legal level of control, fund-object level for the general fund and fund level for all other funds, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF BROUGHTON  
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**E. 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.

**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 at December 31 was as follows:

	2003	2002
Total deposits	\$ 60,718	\$ 54,830

Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,100	\$ 17,980	\$ 15,880
Special Revenue	1,965	6,464	4,499
Total	\$ 4,065	\$ 24,444	\$ 20,379

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 7,400	\$ 16,348	\$ (8,948)
Special Revenue	47,200	2,208	44,992
Total	\$ 54,600	\$ 18,556	\$ 36,044

**VILLAGE OF BROUGHTON  
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,988	\$ 11,282	\$ 9,294
Special Revenue	1,991	6,423	4,432
Total	<u>\$ 3,979</u>	<u>\$ 17,705</u>	<u>\$ 13,726</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 16,307	\$ 18,005	\$ (1,698)
Special Revenue	46,100	4,143	41,957
Total	<u>\$ 62,407</u>	<u>\$ 22,148</u>	<u>\$ 40,259</u>

**4. COMPLIANCE**

The Village did not certify most disbursements as required by Ohio Revised Code § 5705.41(D).

Expenditures exceeded appropriations in the general fund by \$8,948 and \$1,698 at December 31, 2003 and 2002, respectively.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding 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 payments, 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.

**VILLAGE OF BROUGHTON  
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**6. RETIREMENT SYSTEMS**

Elected officials and the Village employee are members of the social security system.

**7. RISK MANAGEMENT**

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 insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

**VILLAGE OF BROUGHTON  
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

The aforementioned casualty and property reinsurance agreements do 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, 2002 and 2001 (the latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 20,174,977	\$ 19,358,458
Liabilities	(8,550,749)	(8,827,588)
Retained Earnings	\$ 11,624,228	\$ 10,530,870
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 2,565,408	\$ 1,890,323
Liabilities	(655,318)	(469,100)
Retained Earnings	\$ 1,910,090	\$ 1,421,223



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Broughton  
Paulding County  
7774 Broughton Pike  
Paulding, Ohio 45879-9613

To the Village Council:

We have audited the accompanying financial statements of the Village of Broughton, Paulding County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 23, 2004. We conducted our audits 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.

**Compliance**

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 grants, 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 23, 2004.

**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 our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 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 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 23, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 23, 2004



**VILLAGE OF BROUGHTON  
PAULDING COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
  
- B. If the amount involved is less than \$1000 (\$3000, effective April 2003), the fiscal officer may authorize it to be paid without the affirmation of Council, if such expenditure is otherwise valid.

Seventy-six percent of the transactions tested were not certified by the Clerk/Treasurer.

Certification is not only required by Ohio law but is also a key control in the disbursement process to help assure purchase commitments receive prior approval and to help reduce the possibility of Village funds being over expended. To improve controls over disbursements we recommend all Village disbursements receive prior certification of the Clerk and the Village Council periodically review the expenditures made to ensure they are certified by the Clerk and recorded against appropriations.

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

Actual expenditures exceeded approved appropriations in the General Fund by \$8,948 and \$1,698 at December 31, 2003 and 2002, respectively.

Expenditures should only be made for which there are sufficient appropriations. Appropriations should be increased as needed, and if necessary amend the corresponding estimated resources.

**VILLAGE OF BROUGHTON  
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30263-001	Revised Code § 5705.41(D) failure to certify funds	No	Finding has not been corrected and is repeated in this report as Finding #2003-001.
2001-30263-002	Revised Code § 5705.41(B) expenditures exceeding appropriations	No	Finding has not been corrected and is repeated in this report as Finding #2003-002.

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**Auditor of State  
Betty Montgomery**

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**VILLAGE OF BROUGHTON**

**PAULDING COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 20, 2004**