



Dave Yost • Auditor of State

VILLAGE OF LATTY
PAULDING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2015.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Proprietary Fund Type – For the Year Ended December 31, 2015.....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2014.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Proprietary Fund Type – For the Year Ended December 31, 2014.....	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Latty
Paulding County
P.O. Box 86
Latty, Ohio 45855-0086

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Latty, Paulding County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Latty, Paulding County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Dave Yost
Auditor of State

Columbus, Ohio

February 14, 2017

**VILLAGE OF LATTY
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$10,898	\$8,802	\$19,700
Intergovernmental	23,488	\$13,303	36,791
Earnings on Investments	7	7	14
Miscellaneous	1,413		1,413
<i>Total Cash Receipts</i>	<u>35,806</u>	<u>22,112</u>	<u>57,918</u>
Cash Disbursements			
Current:			
Security of Persons and Property	8,001	2,367	10,368
Transportation		8,314	8,314
General Government	21,777	27	21,804
<i>Total Cash Disbursements</i>	<u>29,778</u>	<u>10,708</u>	<u>40,486</u>
<i>Excess of Receipts Over Disbursements</i>	<u>6,028</u>	<u>11,404</u>	<u>17,432</u>
Other Financing Receipts (Disbursements)			
Advances Out	(4,500)		(4,500)
<i>Net Change in Fund Cash Balances</i>	1,528	11,404	12,932
<i>Fund Cash Balances, January 1</i>	<u>28,437</u>	<u>75,502</u>	<u>103,939</u>
Fund Cash Balances, December 31			
Restricted		86,906	86,906
Assigned	6,745		6,745
Unassigned	23,220		23,220
<i>Fund Cash Balances, December 31</i>	<u>\$29,965</u>	<u>\$86,906</u>	<u>\$116,871</u>

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

**VILLAGE OF LATTY
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$49,486
Operating Cash Disbursements	
Personal Services	6,599
Employee Fringe Benefits	943
Contractual Services	17,675
Supplies and Materials	2,072
Other	606
<i>Total Operating Cash Disbursements</i>	27,895
<i>Operating Income</i>	21,591
Non-Operating Receipts (Disbursements)	
Special Assessments	9,837
Capital Outlay	(5,604)
Principal Retirement	(30,468)
Interest and Other Fiscal Charges	(1,417)
Other Financing Sources	45
<i>Total Non-Operating Receipts (Disbursements)</i>	(27,607)
<i>Loss before Advances</i>	(6,016)
Advances In	4,500
<i>Net Change in Fund Cash Balances</i>	(1,516)
<i>Fund Cash Balances, January 1</i>	16,126
<i>Fund Cash Balances, December 31</i>	\$14,610

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

**VILLAGE OF LATTY
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$8,901	\$9,091		\$17,992
Intergovernmental	22,151	\$14,115		36,266
Earnings on Investments	7	7		14
Miscellaneous	1,387			1,387
<i>Total Cash Receipts</i>	<u>32,446</u>	<u>23,213</u>		<u>55,659</u>
Cash Disbursements				
Current:				
Security of Persons and Property	8,807	2,379		11,186
Transportation		16,770		16,770
General Government	24,705	1,526		26,231
Capital Outlay			\$1,895	1,895
<i>Total Cash Disbursements</i>	<u>33,512</u>	<u>20,675</u>	<u>1,895</u>	<u>56,082</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>(1,066)</u>	<u>2,538</u>	<u>(1,895)</u>	<u>(423)</u>
<i>Fund Cash Balances, January 1</i>	<u>29,503</u>	<u>72,964</u>	<u>\$1,895</u>	<u>104,362</u>
Fund Cash Balances, December 31				
Restricted		75,502		75,502
Unassigned	28,437			28,437
<i>Fund Cash Balances, December 31</i>	<u>\$28,437</u>	<u>\$75,502</u>		<u>\$103,939</u>

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

**VILLAGE OF LATTY
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$47,474
Operating Cash Disbursements	
Personal Services	6,407
Employee Fringe Benefits	916
Contractual Services	18,463
Supplies and Materials	3,856
Other	949
<i>Total Operating Cash Disbursements</i>	30,591
<i>Operating Income</i>	16,883
Non-Operating Receipts (Disbursements)	
Special Assessments	12,539
Capital Outlay	(891)
Principal Retirement	(29,927)
Interest and Other Fiscal Charges	(1,966)
<i>Total Non-Operating Receipts (Disbursements)</i>	(20,245)
<i>Net Change in Fund Cash Balances</i>	(3,362)
<i>Fund Cash Balances, January 1</i>	19,488
<i>Fund Cash Balances, December 31</i>	\$16,126

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

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 Latty, Paulding County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, park operations, and police services. The Village contracts with the Village of Scott to provide emergency medical services, and is a member of the Paulding Community Fire Association which provides fire protection.

The Village participates in a jointly governed organization, the Paulding Community Fire Association, and a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Notes 8 and 9 to the financial statements provides additional information for these entities.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Fire Fund – This fund receives fire levy money for fire protection and emergency medical services.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Village Hall Fund – This fund receives transferred money from General Fund receipts for the construction of the Village hall and surrounding buildings and land improvements.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Sewer Operating Fund – This fund receives charges for services from residents to cover operating and maintenance costs.

OWDA Sewer Debt Service Fund – This fund receives special assessment revenue and charges for services from residents for the purpose of making payments on the Ohio Water Development Authority (OWDA) loan.

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 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. 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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

VILLAGE OF LATTY
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

A summary of 2015 and 2014 budgetary activity appears in Note 3.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

The Village Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Village Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. Equity in Pooled Deposits

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

	2015	2014
Demand deposits	\$131,481	\$120,065

Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 as follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,804	\$35,806	\$2
Special Revenue	22,112	22,112	
Enterprise	66,309	63,868	(2,441)
Total	\$124,225	\$121,786	(\$2,439)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,276	\$34,278	(\$2)
Special Revenue	14,708	10,708	4,000
Enterprise	65,385	65,384	1
Total	\$114,369	\$110,370	\$3,999

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,447	\$32,446	(\$1)
Special Revenue	23,212	23,213	1
Enterprise	60,012	60,013	1
Total	\$115,671	\$115,672	\$1

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,513	\$33,512	\$1
Special Revenue	20,675	20,675	
Capital Projects	1,895	1,895	
Enterprise	63,374	63,375	(1)
Total	\$119,457	\$119,457	

Contrary to Ohio law, appropriations exceeded estimated resources in the Special Revenue Permissive Motor Vehicle License Tax Fund for the year ended December 31, 2015.

4. Property Tax

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

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

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

5. Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
1992 Ohio Water Development Authority Loan #2766	\$28,589	2.00%
1992 Ohio Water Development Authority Loan #1675	1,673	7.84%
2007 Ohio Water Development Authority Loan #4575	1,790	2.20%
Total	\$32,052	

The 1992 Ohio Water Development Authority (OWDA) loans relate to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency (OEPA). The original loan amounts were \$588,700. The loans will be repaid in semiannual installments over 25 years. The loans are secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2007, the OWDA loan relates to a waste water study that was mandated by the OEPA. The loan will be repaid in annual installments over 10 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization of the above debt, including interest, is scheduled as follows:

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Year ending December 31:	OWDA <u>Loan 1675</u>	OWDA <u>Loan 2766</u>	OWDA <u>Loan 4575</u>
2016	\$870	\$14,577	
2017	870	14,577	\$934
2018			915
Total	<u>\$1,740</u>	<u>\$29,154</u>	<u>\$1,849</u>

6. Retirement Systems

The Village's employees and several elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Social Security

Effective July 1, 1991, all officials and employees not otherwise covered by OPERS have an option to become a member of the Social Security system. As of December 31, 2015, three Village Council members and one Board of Public Affairs member have elected Social Security. Village Council's liability is 6.2% of gross wages.

7. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its Members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each Member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from Member to Member. OPRM had 772 and 783 Members as of December 31, 2015 and 2014, respectively.

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Plan Members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a Member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former Member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	<u>(9,112,030)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. Jointly Governed Organization

The Paulding Community Fire Association (PCFA) is a jointly governed organization which provides firefighting services to three townships and three villages (member subdivisions) within Paulding County. The PCFA relies on its member subdivisions for the funding of its operations. Each member subdivision has a vote on the operating budget of the PCFA. The member subdivision's share of the PCFA budget is based upon a ration which incorporates the number of fire runs taking place within its subdivision, plus current subdivision valuation in relation to overall fire runs and valuation. The Village of Paulding, Ohio, serves as fiscal agent for the PCFA. The Village's share of the budget was \$825 in 2014 and \$814 in 2015.

9. Interfund Transactions

During 2015, the General Fund advanced \$4,500 to the Enterprise OWDA Sewer Debt Service Fund. The outstanding advance at December 31, 2015 from the General Fund to the Enterprise OWDA Sewer Debt Service Fund was to cover the Ohio Water Development Authority (OWDA) loan payment made in 2015. Per Village Resolution 2015-11-01, the advance will be repaid beginning in January 2017 from the OWDA Sewer Debt Service Fund to the General Fund, after the current OWDA loans are paid.

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Dave Yost • Auditor of State

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

Village of Latty
Paulding County
P.O. Box 86
Latty, Ohio 45855-0086

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Latty, Paulding County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated February 14, 2007, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-002 through 2015-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Purpose of this Report

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

Dave Yost
Auditor of State

Columbus, Ohio

February 14, 2017

VILLAGE OF LATTY
PAULDING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For the purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

At December 31, 2015, the Village's Permissive Motor Vehicle License Tax Fund had appropriations of \$4,000 while there were no estimated resources in this fund; as such, appropriations were in excess of estimated resources, contrary to the aforementioned Ohio Rev. Code provision. This error was not identified and corrected prior to the audit due to a lack of adequate review by Village officials to ensure the proper budgetary figures were updated and reflected in the accounting system. Failure to monitor budgetary variances could contribute to deficit spending.

The Fiscal Officer should post budgeted figures from the approved appropriations and estimated certificates from the County Budget Commission and regularly monitor appropriations to the total available resources for expenditure from each fund and submit the necessary modifications to Village Council for approval. In addition, the Fiscal Officer should make sure the original and/or amended certificate(s) of estimated resources has been obtained from the County Auditor for annual appropriations and all subsequent amendments for each year.

FINDING NUMBER 2015-002

Material Weakness – Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is fairly stated. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balance be divided into one of five classifications (nonspendable, restricted, committed, assigned, and unassigned) based on the extent to which constraints are imposed upon the resources in the governmental funds.

There was no evidence Village Council reviewed monthly detailed revenue reports, disbursement reports, budgetary reports, and deposits on a regular basis, which contributed to the following errors occurring without detection:

- In 2015, homestead and rollback monies related to the Village’s general operating, street improvements, and fire and emergency medical services (EMS) tax levies, which totaled \$1,303, were misposted as property taxes instead of intergovernmental receipts in the General Fund, the Special Revenue Street Levy Fund, and the Special Revenue Fire Fund in the amount of \$608, \$642, and \$53, respectively.
- In 2015, delinquent sewer receipts amounting to \$1,538, which had been certified to the County Auditor and assessed on the property owners’ tax bills, were misclassified as other financing sources in the Enterprise Sewer Operating Fund instead of as charges for services with other sewer utility receipts.

- As of December 31, 2015, the General Fund's appropriations exceeded estimated receipts for the subsequent year, and as such, this excess should have been reported as assigned fund balance instead of unassigned fund balance in accordance with GASB Statement No. 54. This overstated the unassigned fund balance and understated the assigned fund balance in the General Fund by \$6,745.

As a result of these errors, the Village's financial statements and accounting ledgers did not correctly reflect the financial activity of the Village. The Village's financial statements and accounting ledgers have been adjusted to reflect these errors.

We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Uniform Accounting Network manual, the Village Officer's Handbook, and GASB Statement No. 54. Furthermore, to help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village Council should review financial records monthly, as well as the annual financial statements and notes to financial statements. The documents reviewed should be reflected in the minutes and the documents should be signed by the reviewers so there is evidence of such reviews. Additionally, we recommend the Village review Auditor of State Bulletin 2011-004 and monitor the financial statements for inclusion of the proper GASB 54 disclosures.

FINDING NUMBER 2015-003

Material Weakness – Posting of Appropriations

At December 31, 2015, the Village's legally adopted appropriations were not correctly reflected in the accounting system, and as such, approved appropriations did not agree to the amounts posted to the accounting system by the following amounts in the following funds:

Fund	Approved Appropriations	Posted Appropriations	Difference
General Fund	\$34,276	\$29,776	\$4,500
Special Revenue Permissive Motor Vehicle License Tax Fund	4,000	0	4,000

The aforementioned differences occurred in the posting of appropriations since the Fiscal Officer did not compare the approved appropriations to the amounts entered into the accounting system and the budgetary statements were not provided to the Village Council for their review.

Failure to completely and accurately post budgetary information into the accounting system makes it difficult for the Village's management officials to determine if there are sufficient appropriations to fund anticipated disbursements and for them to accurately assess the financial status of the Village.

The notes to the financial statements have been corrected to reflect amounts officially approved by Village Council.

We recommend that the Village Council develop policies and implement procedures to help assure that all appropriation measures and amendments are properly posted. We further recommend Village Council periodically review the posted budgetary amounts to help ensure they match the amounts approved by Village Council.

FINDING NUMBER 2015-004

Material Weakness – Posting of Estimated Receipts

At December 31, 2015, estimated receipts entered in the accounting system did not agree with certified estimated receipts certified by the County Budget Commission on the certificate of estimated receipts by the following amounts in the following funds:

Fund	Certified Estimated Receipts	Posted Estimated Receipts	Difference
Special Revenue Fire Fund	\$1,673	\$1,727	\$54
Enterprise Sewer Operating Fund	26,970	29,030	2,060
Enterprise OWDA Sewer Debt Service Fund	36,286	31,786	4,500

Additionally, the errors occurred in the posting of estimated receipts since the Fiscal Officer did not compare the total posted estimated receipts to the certificate of estimated resources from the County Budget Commission. Furthermore, there was not an adequate review of the budgetary reports by the Village Council.

Failure to accurately reflect budgetary figures in the accounting system could result in the Village's management officials basing their financial decisions on inaccurate information, which could possibly result in deficit spending.

The notes to the financial statements have been corrected to reflect amounts officially approved by Village Council.

We recommend that the Village Council develop policies and implement procedures to assure that all estimated receipt amendments are properly approved by Council and submitted to the County Budget Commission. We further recommend Village Council periodically review the posted budgetary amounts to ensure they match the amounts approved by Village Council.

Officials' Response:

We did not receive a response from Officials to the findings reported above.