



Dave Yost • Auditor of State

LATTY TOWNSHIP
PAULDING COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Latty Township
Paulding County
204 Tyler Street
P.O. Box 47
Grover Hill, Ohio 45849-0047

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Latty Township, Paulding County, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township'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 Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statements, the Township 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 Township 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 permitted 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 Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Latty Township, Paulding County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, on our consideration of the Township'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 Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 23, 2015

**LATTY TOWNSHIP
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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$19,293	\$43,301	\$62,594
Payments in Lieu of Taxes	16,629		16,629
Licenses, Permits and Fees	92		92
Intergovernmental	64,942	107,203	172,145
Earnings on Investments	331	11	342
Miscellaneous		2,150	2,150
<i>Total Cash Receipts</i>	<u>101,287</u>	<u>152,665</u>	<u>253,952</u>
Cash Disbursements			
Current:			
General Government	27,973	642	28,615
Public Safety		19,200	19,200
Public Works	1,690	201,091	202,781
Health	4,900		4,900
<i>Total Cash Disbursements</i>	<u>34,563</u>	<u>220,933</u>	<u>255,496</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>66,724</u>	<u>(68,268)</u>	<u>(1,544)</u>
Other Financing Receipts			
Transfers In		9,000	9,000
Transfers Out	(9,000)		(9,000)
Other Financing Sources	225		225
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(8,775)</u>	<u>9,000</u>	<u>225</u>
<i>Net Change in Fund Cash Balances</i>	57,949	(59,268)	(1,319)
<i>Fund Cash Balances, January 1</i>	<u>214,590</u>	<u>185,006</u>	<u>399,596</u>
Fund Cash Balances, December 31			
Restricted		98,158	98,158
Committed		27,580	27,580
Assigned	62,892		62,892
Unassigned	209,647		209,647
<i>Fund Cash Balances, December 31</i>	<u>\$272,539</u>	<u>\$125,738</u>	<u>\$398,277</u>

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

**LATTY TOWNSHIP
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$13,228	\$34,120	\$47,348
Licenses, Permits and Fees	135		135
Intergovernmental	70,242	102,874	173,116
Earnings on Investments	111	11	122
Miscellaneous		425	425
<i>Total Cash Receipts</i>	<u>83,716</u>	<u>137,430</u>	<u>221,146</u>
Cash Disbursements			
Current:			
General Government	28,956	626	29,582
Public Safety		18,600	18,600
Public Works	1,559	54,986	56,545
Health	18,869		18,869
Capital Outlay		7,187	7,187
<i>Total Cash Disbursements</i>	<u>49,384</u>	<u>81,399</u>	<u>130,783</u>
<i>Excess of Receipts Over Disbursements</i>	<u>34,332</u>	<u>56,031</u>	<u>90,363</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets		320	320
Transfers In		4,000	4,000
Transfers Out	(4,000)		(4,000)
Other Financing Sources	4,500		4,500
<i>Total Other Financing Receipts (Disbursements)</i>	<u>500</u>	<u>4,320</u>	<u>4,820</u>
<i>Net Change in Fund Cash Balances</i>	34,832	60,351	95,183
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>179,758</u>	<u>124,655</u>	<u>304,413</u>
Fund Cash Balances, December 31			
Restricted		131,943	131,943
Committed		53,063	53,063
Assigned	26,862		26,862
Unassigned	187,728		187,728
<i>Fund Cash Balances, December 31</i>	<u>\$214,590</u>	<u>\$185,006</u>	<u>\$399,596</u>

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

**LATTY TOWNSHIP
PAULDING COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Latty Township, Paulding County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Villages of Grover Hill and Scott to provide fire protection and emergency medical services.

The Township participates in the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

The Township's management believes these financial statements present all activities for which the Township 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 Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposits at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township 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.

**LATTY TOWNSHIP
PAULDING COUNTY**

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

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 Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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 or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

**LATTY TOWNSHIP
PAULDING COUNTY**

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

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

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend 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 Township Trustees or a Township 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 Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

**LATTY TOWNSHIP
PAULDING COUNTY**

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

2. Equity in Pooled Deposits

The Township 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:

	2014	2013
Demand deposits	\$165,299	\$217,927
Certificates of deposit	232,978	181,669
Total deposits	\$398,277	\$399,596

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

3. Budgetary Activity

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

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,158	\$101,512	\$71,354
Special Revenue	140,409	161,665	21,256
Total	\$170,567	\$263,177	\$92,610

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$57,020	\$43,563	\$13,457
Special Revenue	297,635	220,933	76,702
Total	\$354,655	\$264,496	\$90,159

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,855	\$88,216	\$63,361
Special Revenue	140,061	141,750	1,689
Total	\$164,916	\$229,966	\$65,050

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,870	\$53,384	\$1,486
Special Revenue	227,120	133,734	93,386
Total	\$281,990	\$187,118	\$94,872

**LATTY TOWNSHIP
PAULDING COUNTY**

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

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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 Township.

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

5. Retirement System

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

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

6. Risk Management

The Township 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, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014, respectively.

**LATTY TOWNSHIP
PAULDING COUNTY**

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

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

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

7. Interfund Transfers

For the years ended December 31, 2014 and 2013, the General Fund transferred \$9,000 and \$4,000, respectively, to the Cemetery Fund.

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers are also used to move unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

8. Compliance

Contrary to Ohio law, \$1,287 in motor vehicle registration receipts were improperly paid into the Gasoline Tax Fund instead of the Motor Vehicle License Tax Fund in 2013. Also, cemetery mowing disbursements of \$2,875 and \$760, respectively, were incorrectly paid from the Special Emergency Medical Services in 2014 and the Gasoline Tax Fund in 2013 instead of the General Fund.

Contrary to Ohio law, at December 31, 2013, the Township's legally adopted appropriations varied with the amounts posted to the accounting system by \$15,264 and \$4,000 in the General Fund and Cemetery Fund, respectively.

Contrary to Ohio Revised Code 505.24(C), Trustee compensation was not properly allocated to the General Fund in 2014 and 2013.

**LATTY TOWNSHIP
PAULDING COUNTY**

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

9. Prior Period Restatement

The beginning balance for the Township's General Fund was restated to reflect interest earned on the Township's certificates of deposit in prior years that was not posted by the Township until 2014.

The prior period restatement had the following effect on the Township's General Fund balance as previously reported as of December 31, 2012:

	General
Fund Balance, December 31, 2012	<u>\$178,040</u>
Restatement Due to Interest Earned in Prior Years	<u>1,718</u>
Restated Fund Balance, January 1, 2013	<u><u>\$179,758</u></u>

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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

Latty Township
Paulding County
204 Tyler Street
P.O. Box 47
Grover Hill, Ohio 45849-0047

To the Board of Trustees:

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 Latty Township, Paulding County, Ohio, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated November 23, 2015 wherein we noted the Township 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 Township'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 Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 through 2014-004 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 through 2014-003.

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 Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

November 23, 2015

LATTY TOWNSHIP
PAULDING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.10(D) requires all revenue derived from a source other than the general property tax and for which the law prescribes shall be used for a particular purpose shall be paid into a special fund for such purpose. Furthermore, money paid into any fund shall be used only for the purposes for which such fund is established.

Additionally, **Ohio Rev. Code § 5735.27(A)(5)(d)** requires the funds received from the gasoline excise tax shall be expended by each township to plan, construct, maintain, widen, and reconstruct the public roads and highways within the township.

In 2013, \$1,287 in motor vehicle registration receipts were improperly paid into the Gasoline Tax Fund instead of the Motor Vehicle License Tax Fund.

Additionally, payments totaling \$2,875 and \$760 for mowing services at the Township's cemeteries were improperly made from the Special Revenue Special Emergency Medical Services (EMS) Levy Fund and the Special Revenue Gasoline Tax Fund in 2014 and 2013, respectively. These payments should have been made from the General Fund; the cumulative effect on the General Fund balance for the two year was \$3,635.

As a result, the Township's financial statements and accounting records did not correctly reflect the financial activity of the Township. The Township's financial statements and accounting records have been adjusted to reflect this activity in the proper funds.

These errors were not identified and corrected prior to the audit due to deficiencies in the Township's financial statement monitoring.

To prevent monies from being used for purposes other than those prescribed by law, we recommend the Fiscal Officer review the Ohio Township Handbook and the Ohio Revised Code to determine allowable expenditures for each fund.

FINDING NUMBER 2014-002

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.40 provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriations.

At December 31, 2013, the Township's legally adopted appropriations varied with the amounts posted to the accounting system by the following amounts in the following funds:

Fund	Approved Appropriations	Posted Appropriations	Difference
General Fund	\$55,018	\$70,282	\$15,264
Cemetery Fund	5,000	9,000	4,000

These differences occurred in the posting of appropriations since the Board did not approve and file all appropriations with the County Auditor and there was not an adequate review of the budgetary reports by the Board. Material errors in the budgetary note to the financial statements have been corrected to more accurately reflect amounts approved by the Board.

Failure to obtain Board approval for all amendments could result in expenditures being made that are not within the intentions of the Board and could result in deficit spending.

The Board should develop policies and implement procedures to assure that all appropriation amendments are properly approved by the Board prior to being posted to the accounting system and submitted to the County Budget Commission. We further recommend the Board review the posted budgetary amounts periodically to ensure they match the amounts approved by the Board.

FINDING NUMBER 2014-003

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 505.24(C) sets forth the methods by which township trustees' compensation may be allocated.

In lieu per diem payments, Ohio Rev. Code § 505.24(C) permits, by a unanimous vote, a board of township trustees to adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the Township General Fund or from other Township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the Township General Fund and from other Township funds in such proportions as the kinds of services performed.

Also, as discussed in Auditor of State Bulletin 2013-002, township officials are required to attend board meetings in order to conduct the regular business of the township. Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law and township's doing so will be subject to audit findings. Auditor of State Bulletin 2011-007 also describes requirements under Ohio Rev. Code § 505.24(C).

In both 2014 and 2013, the Trustees failed to, by unanimous vote, adopt a method of compensation consisting of an annual salary paid in equal monthly payments; yet trustees were paid an annual salary. Both in 2014 and 2013, the Trustees completed documentation to support time spent on administrative and road related services. But, the Board of Trustees did not complete certifications as required under Ohio Rev. Code § 505.24(C) and addressed in Auditor of State Bulletins 2013-002 and 2011-007. In addition, the Trustees' compensation was charged entirely to the Gasoline Tax Fund each year. Because the Trustees attended board meetings and conducted general administrative business related to the Township, this portion of their pay should have been allocated to the General Fund each year. As such, a total of \$6,782 and \$5,426 was improperly charged to the Gasoline Tax Fund instead of the General Fund in 2014 and 2013, respectively.

These errors were not identified and corrected prior to the audit due to deficiencies in the Township's financial statement monitoring.

As a result, the Township's financial statements and accounting records did not correctly reflect the financial activity of the Township. The Township's financial statements and accounting records have been adjusted so this activity is reflected in the proper funds.

This situation could result in monies being used for purposes other than those prescribed by law. Furthermore, inaccurate posting of transactions impedes the ability of management officials to accurately assess the financial status of the Township.

We recommend the Board of Trustees pass a resolution adopting a method of compensation and each Trustee complete the required salary certification when compensated from funds other than the general Fund. In addition, to the extent trustees are paid from restricted funds, compensation should be apportioned to the proper funds based on salary certifications.

FINDING NUMBER 2014-004

Material Weakness

Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the fiscal officer and governing board 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.

The Fiscal Officer is responsible for the majority of the functions related to the accounting records. Without proper separation of duties, there is a possibility errors or fraud could occur and not be detected in a timely period.

The Township lacked a policy regarding financial review which contributed to material posting discrepancies, such as the following, occurring without detection:

- In 2014, payments in lieu of taxes totaling \$16,629 received from Paulding County were reported as licenses, permits, and fees instead of reporting this revenue source as a separate line item on the financial statements in the General Fund.

- In 2014 and 2013, disbursements totaling 13,500 and \$13,200, respectively, for contracts with area villages for fire protection were misclassified as general government disbursements instead of as public safety disbursements in the Special Revenue Special Fire Levy Fund.
- In 2014 and 2013, disbursements totaling 5,700 and \$5,400, respectively, for contracts with area villages for emergency medical services (EMS) were misclassified as general government disbursements instead of as public safety disbursements in the Special Revenue Special EMS Levy Fund.
- As of December 31, 2014 and 2013, the Special Revenue Road and Bridge Fund balance in the amount of \$27,580 and \$53,063, respectively, was improperly classified as restricted fund balance instead of committed fund balance, since inside millage on a township road and bridge levy is only internally imposed by the Trustees.
- As of December 31, 2014 and 2013, unassigned fund balance was overstated and assigned fund balance was understated in the General Fund by \$62,892 and \$26,862, respectively.
- In 2013, a bank transfer for \$20,000 was inadvertently posted as intergovernmental revenue, which overstated the General Fund balance as of December 31, 2013.

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

We recommend that the Fiscal Officer post all transactions in accordance with the guidance established by the Uniform Accounting Network manual and GASB Statement No. 54. Furthermore, the Township should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Trustees to help ensure that errors and omissions are detected and corrected.

Officials' Response:

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

**LATTY TOWNSHIP
PAULDING COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code § 5705.10, § 4503.02, and § 5735.27(A)(5)(d) for making improper payments from restricted funds for expenses which were not allowable uses of such funds.	No	Not Corrected. Reissued as Finding 2014-001 in this report.
2012-002	Material weakness for monitoring of financial transactions due to errors in the financial statements.	No	Not Corrected. Reissued as Finding 2014-004 in this report.

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Dave Yost • Auditor of State

LATTY TOWNSHIP

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
DECEMBER 10, 2015