



Dave Yost • Auditor of State

**VILLAGE OF LATTY
PAULDING COUNTY
DECEMBER 31, 2017 AND 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2017	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Proprietary Fund Type For the Year Ended December 31, 2017	4
Notes to the Financial Statements – For the Year Ended December 31, 2017	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2016	11
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Proprietary Fund Type For the Year Ended December 31, 2016	12
Notes to the Financial Statements – For the Year Ended December 31, 2016	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	24

This page intentionally left blank.



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, 2017 and 2016.

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 such 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 Accounted Principles

As described in Note 2 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, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Latty, Paulding County, Ohio as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018, 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

October 25, 2018

**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, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$11,587	\$10,466		\$22,053
Intergovernmental	25,481	33,344		58,825
Earnings on Investments	9	8		17
Miscellaneous	981			981
<i>Total Cash Receipts</i>	<u>38,058</u>	<u>43,818</u>		<u>81,876</u>
Cash Disbursements				
Current:				
Security of Persons and Property	4,603	2,632		7,235
Public Health Services		1,343		1,343
Transportation		31,132		31,132
General Government	26,186	2,878		29,064
Capital Outlay		19,635		19,635
<i>Total Cash Disbursements</i>	<u>30,789</u>	<u>57,620</u>		<u>88,409</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,269</u>	<u>(13,802)</u>		<u>(6,533)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets			\$2,500	2,500
Transfers In		1,343		1,343
Transfers Out	(1,343)			(1,343)
Advances In	3,000			3,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,657</u>	<u>1,343</u>	<u>2,500</u>	<u>5,500</u>
<i>Net Change in Fund Cash Balances</i>	8,926	(12,459)	2,500	(1,033)
<i>Fund Cash Balances, January 1</i>	<u>35,342</u>	<u>99,992</u>		<u>135,334</u>
Fund Cash Balances, December 31				
Restricted		87,533	2,500	90,033
Assigned	13,475			13,475
Unassigned	30,793			30,793
<i>Fund Cash Balances, December 31</i>	<u>\$44,268</u>	<u>\$87,533</u>	<u>\$2,500</u>	<u>\$134,301</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, 2017**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$57,544
Operating Cash Disbursements	
Personal Services	7,029
Employee Fringe Benefits	1,005
Contractual Services	17,698
Supplies and Materials	5,147
Other	1,357
<i>Total Operating Cash Disbursements</i>	32,236
<i>Operating Income</i>	25,308
Non-Operating Receipts (Disbursements)	
Principal Retirement	(895)
Interest and Other Fiscal Charges	(20)
Other Financing Sources	748
<i>Total Non-Operating Receipts (Disbursements)</i>	(167)
<i>Income before Advances</i>	25,141
Advances Out	(3,000)
<i>Net Change in Fund Cash Balances</i>	22,141
<i>Fund Cash Balances, January 1</i>	10,235
<i>Fund Cash Balances, December 31</i>	\$32,376

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

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 – Reporting Entity

The Village of Latty (the Village), Paulding County, Ohio, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities and park operations. 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.

Jointly Governed Organization and Public Entity Risk Pool

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. Notes 9 and 10 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Levy Fund This fund receives street levy money for the construction, reconstruction/repair, and maintenance of the Village streets.

Federal Grants Fund This fund receives money transferred from the general fund as well as a federal grant through Paulding County to construct a civil defense (tornado) siren. The grant was administered by the Maumee Valley Planning Organization.

Capital Projects 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:

Permanent Improvement Fund This fund receives proceeds from the sale of capital assets to be used for future permanent improvement projects or acquisitions of capital assets.

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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 Fund:

Sewer Operating Fund This fund accounts for the provision of sanitary sewer charges to the residents and commercial users within the Village to cover operating and maintenance costs.

Basis of Accounting

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 Council 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.

Budgetary Process

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

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.

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.

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.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

The Village'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.

Capital Assets

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

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:

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

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.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the 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.

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.

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.

Note 3 – Deposits

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

	2017
Demand deposits	\$166,677

Deposits are insured by the Federal Depository Insurance Corporation.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,015	\$38,058	\$43
Special Revenue	55,061	45,161	(9,900)
Capital Projects		2,500	2,500
Enterprise	55,330	58,292	2,962
Total	\$148,406	\$144,011	(\$4,395)

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,866	\$32,132	\$12,734
Special Revenue	83,593	57,620	25,973
Enterprise	47,132	33,151	13,981
Total	\$175,591	\$122,903	\$52,688

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for 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 real property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 6 – Debt

The 2007 Ohio Water Development Authority (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. The Village paid off this loan in 2017.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Social Security

Several Village Council members and one Board of Public Affairs member contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

VILLAGE OF LATTY
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017.

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 years. The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

	<u>2017</u>
Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members’ Equity	<u>\$ 5,292,512</u>

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

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 10 – 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 ratio, 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 \$834 in 2017.

Note 11 – Interfund Transactions

Advances

Advances in/advances out consisted of the following at December 31, 2017 as reported on the financial statements:

	<u>Amount</u>
<u>Advances to the General Fund from:</u>	
Enterprise OWDA Sewer Debt Service Fund	<u>\$3,000</u>

In 2015, the Village's General Fund advanced \$4,500 to the Enterprise OWDA Sewer Debt Service Fund to cover the Ohio Water Development Authority (OWDA) loan payment made in 2015. Per Village Ordinance 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.

The advances from the OWDA Sewer Debt Service Fund made during 2017 were made to repay a portion of the outstanding \$4,500 advance from 2015. As of December 31, 2017, the remaining balance of the 2015 advance was \$1,500.

Note 12 – Related Party Transactions

In 2017, Roger Miller, in his capacity as Village Council President, did not properly abstain from approving payments totaling \$7,240 to his wife, Kay Miller, Fiscal Officer.

Note 13 – Compliance

Contrary to Ohio Rev. Code § 5705.10(F), the Village recorded the proceeds from the sale of a permanent improvement in the wrong fund in 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, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$10,953	\$10,573	\$21,526
Intergovernmental	25,712	13,121	38,833
Special Assessments		724	724
Earnings on Investments	8	8	16
Miscellaneous	1,192		1,192
<i>Total Cash Receipts</i>	<u>37,865</u>	<u>24,426</u>	<u>62,291</u>
Cash Disbursements			
Current:			
Security of Persons and Property	7,652	2,373	10,025
Transportation		8,906	8,906
General Government	24,836	61	24,897
<i>Total Cash Disbursements</i>	<u>32,488</u>	<u>11,340</u>	<u>43,828</u>
<i>Net Change in Fund Cash Balances</i>	5,377	13,086	18,463
<i>Fund Cash Balances, January 1</i>	<u>29,965</u>	<u>86,906</u>	<u>116,871</u>
Fund Cash Balances, December 31			
Restricted		99,992	99,992
Assigned	6,851		6,851
Unassigned	28,491		28,491
<i>Fund Cash Balances, December 31</i>	<u>\$35,342</u>	<u>\$99,992</u>	<u>\$135,334</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, 2016**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$48,800
Operating Cash Disbursements	
Personal Services	6,797
Employee Fringe Benefits	971
Contractual Services	17,324
Supplies and Materials	2,321
Other	801
<i>Total Operating Cash Disbursements</i>	28,214
<i>Operating Income</i>	20,586
Non-Operating Receipts (Disbursements)	
Special Assessments	11,694
Capital Outlay	(4,876)
Principal Retirement	(31,129)
Interest and Other Fiscal Charges	(650)
<i>Total Non-Operating Receipts (Disbursements)</i>	(24,961)
<i>Net Change in Fund Cash Balances</i>	(4,375)
<i>Fund Cash Balances, January 1</i>	14,610
<i>Fund Cash Balances, December 31</i>	\$10,235

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

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 – Reporting Entity

The Village of Latty (the Village), Paulding County, Ohio, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

Jointly Governed Organization and Public Entity Risk Pool

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. Notes 9 and 10 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire and EMS Fund This fund receives fire and EMS levy money for fire protection and emergency medical (EMS) services for residents of the Village.

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 accounts for the provision of sanitary sewer services to the residents and commercial users within the Village to cover operating and maintenance costs.

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

Basis of Accounting

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 Council 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.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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.

Encumbrances The Ohio Revised Code requires the Village 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 2016 budgetary activity appears in Note 4.

Deposits and Investments

The Village'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.

Capital Assets

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

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:

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

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.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the 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.

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.

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.

Note 3 – Deposits

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

	2016
Demand deposits	\$145,569

Deposits are insured by the Federal Depository Insurance Corporation.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,255	\$37,865	\$1,610
Special Revenue	29,361	24,426	(4,935)
Capital Projects	500		(500)
Enterprise	66,900	60,494	(6,406)
Total	\$133,016	\$122,785	(\$10,231)

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,000	\$35,386	\$7,614
Special Revenue	100,245	14,172	86,073
Enterprise	71,350	65,269	6,081
Total	\$214,595	\$114,827	\$99,768

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for 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 real property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 6 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
2007 Ohio Water Development Authority Loan #4575	\$895	2.20%

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. The Village paid off both of these loans in 2016.

The 2007 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:

Year Ended December 31:	OWDA Loan
2017	\$ 915

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Social Security

Several Village Council members and one Board of Public Affairs member contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 9 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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 Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Note 10 – 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 ratio 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 2016.

Note 11 – Interfund Transactions

Advances

In 2015, the Village's General Fund advanced \$4,500 to the Enterprise OWDA Sewer Debt Service Fund to cover the Ohio Water Development Authority (OWDA) loan payment made in 2015. Per Village Ordinance 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.

Note 12 – Related Party Transactions

Effective April 1, 2016, the Village Fiscal Officer position became an appointed position. On February 8, 2016, Village Council approved the Fiscal Officer's (Kay Miller) contract for this appointed position. However, the Village Council President, Roger Miller, husband of Kay Miller, did not abstain from voting on her contract. Additionally, the Council President approved related party payments totaling \$7,000 to the Fiscal Officer in 2016.



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, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2018 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 opinions 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 2017-002 and 2017-003 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 and 2017-002.

Village's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 25, 2018

VILLAGE OF LATTY
PAULDING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Noncompliance Citation

Ohio Rev. Code § 2921.42(A)(1) provides that no public official shall knowingly authorize or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest. **Ohio Rev. Code § 2921.42(H)** provides that any public contract in which a public official, a member of the public official's family, or any of the public official's business associates has an interest in violation of this section is void and unenforceable.

In 2016, Roger Miller, in his capacity as Village Council President, did not properly abstain from approving the contract for his wife, Kay Miller, to the Village's appointed Fiscal Officer position. Additionally, due to deficiencies in the Village's policies and procedures for approving payments, Mr. Miller approved payments totaling \$7,240 and \$7,000 to his wife, Kay Miller, as a Village employee in 2017 and 2016, respectively.

Members of the Village Council should abstain from voting on issues and/or payments related to members of their families.

This matter will be referred to the Ohio Ethics Commission for their consideration.

FINDING NUMBER 2017-002

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.10(F) requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. **Ohio Rev. Code § 5705.01(E)** defines "permanent improvement" or "improvement" to mean any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more.

In 2017, the Village inappropriately recorded \$2,500 from the sale of land in the General Fund as miscellaneous receipts. Given the source of the revenue, this should have been recorded in the Permanent Improvement Fund as sale of capital assets. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed and posted to the proper funds.

FINDING NUMBER 2017-003

Material Weakness

Monitoring of Financial Statements

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

There was no evidence Village Council regularly reviewed monthly detailed revenue reports and budgetary reports (such as the revenue status and appropriation status reports that can be generated on the UAN accounting system) which contributed to errors occurring without detection in the accompanying 2017 and 2016 financial statements as follows:

- In 2017, the Village was the beneficiary of \$19,635 in Community Development Block Grant (CDBG) on-behalf of funding through Paulding County. The Fiscal Officer incorrectly recorded the corresponding grant receipt and disbursement activity in the amount of \$19,999 in the Special Revenue Federal Grants Fund, which overstated the grant receipt and disbursement activity by \$364. In addition, the grant receipts were incorrectly classified as other financing sources instead of intergovernmental receipts and the grant disbursements were misclassified as public health services instead of capital outlay.
- In 2017 and 2016, 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 the amounts of \$13,475 and \$3,953, respectively.
- In 2016, the General Fund had outstanding encumbrances totaling \$2,898 that should have been reported as assigned instead of unassigned fund balance.
- In 2017, appropriations reported in the budgetary note to the financial statements were understated in the General Fund by \$2,898.
- In 2016, expenditures in the budgetary note to the financial statements were understated in the General Fund and Special Revenue Fund by \$2,896 and \$2,833, respectively.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the Village's financial statements and notes to the financial statements did not correctly reflect the financial activity of the Village. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate the Village should implement the following internal controls:

- The Fiscal Officer should post all transactions in accordance with guidance established in the Uniform Accounting Network (UAN) manual and the Village Officer's Handbook.
- The Village Council should regularly review detail revenue reports as well as budget versus actual reports as part of their review of monthly financial information.
- The Village should also adopt policies and procedures, including a final review of the annual financial statements and notes to the financial statements by the Fiscal Officer and the audit committee, to identify and correct errors and omissions.
- Management officials should review Auditor of State Bulletin 2011-004 and monitor the financial statements for inclusion of the proper GASB 54 disclosures.

Officials' Response:

The Village Officials are aware of the issues that have been outlined and will be taking steps to make sure they are not repeated in the future.

VILLAGE OF LATTY, OHIO
PAULDING COUNTY
P.O. Box 86
Latty, Ohio 45855-0086

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code § 5705.39 for appropriations in excess of estimated resources.	Corrective action taken and finding is fully corrected.	
2015-002	This finding was first reported in 2015. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as finding 2017-003 in this report.	The Village Officials are aware of this issue and are taking steps to correct it. The Fiscal Officer plans to review future postings of financial activity to make sure they are properly reported in the accounting ledgers and financial statements.
2015-003	Material weakness for improper posting of appropriations.	Corrective action taken and finding is fully corrected.	
2015-004	Material weakness for improper posting of estimated receipts.	Corrective action taken and finding is fully corrected.	



Dave Yost • Auditor of State

VILLAGE OF LATTY

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
NOVEMBER 8, 2018