



**VILLAGE OF LATTY
PAULDING COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Latty
Paulding County
650 Alexander Street
PO Box 86
Latty, Ohio 45855-0086

To the Village Council:

We have audited the accompanying financial statements of the Village of Latty, Paulding County, Ohio, (the Village) as of and for the years ended December 31, 1999, and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999, and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

April 27, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$8,697	\$8,241		\$16,938
Intergovernmental Receipts	16,050	6,953		23,003
Earnings on Investments	2,647	736		3,383
Miscellaneous	357			357
Total Cash Receipts	<u>27,751</u>	<u>15,930</u>	<u>\$0</u>	<u>43,681</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	3,707	709		4,416
Public Health Services	676			676
Leisure Time Activities	1,089			1,089
Community Environment	928			928
Transportation		6,368		6,368
General Government	11,802	302		12,104
Capital Outlay	1,379			1,379
Total Cash Disbursements	<u>19,581</u>	<u>7,379</u>	<u>0</u>	<u>26,960</u>
Total Receipts Over Disbursements	<u>8,170</u>	<u>8,551</u>	<u>0</u>	<u>16,721</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			7,000	7,000
Transfers-Out	(7,000)			(7,000)
Total Other Financing Receipts/(Disbursements)	<u>(7,000)</u>	<u>0</u>	<u>7,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	1,170	8,551	7,000	16,721
Fund Cash Balances, January 1	40,641	33,009	0	73,650
Fund Cash Balances, December 31	<u>\$41,811</u>	<u>\$41,560</u>	<u>\$7,000</u>	<u>\$90,371</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$4,427</u>	<u>\$0</u>	<u>\$4,427</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$38,739
Miscellaneous	2,616
	41,355
Operating Cash Disbursements:	
Personal Services	3,518
Fringe Benefits	599
Contractual Services	18,946
Supplies and Materials	3,935
Capital Outlay	97,340
	124,338
Operating Loss	(82,983)
Non-Operating Cash Receipts:	
Intergovernmental Receipts	117,838
Special Assessments	14,177
	132,015
Non-Operating Cash Disbursements:	
Debt Service	30,958
Net Receipts Over Disbursements	18,074
Fund Cash Balances, January 1	38,653
Fund Cash Balances, December 31	\$56,727
Reserve for Encumbrances, December 31	\$56,800

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$8,005	\$7,994	\$15,999
Intergovernmental Receipts	15,474	7,015	22,489
Earnings on Investments	2,744	793	3,537
Miscellaneous	2,556	112	2,668
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	28,779	15,914	44,693
Cash Disbursements:			
Current:			
Security of Persons and Property	3,136	669	3,805
Public Health Services	674		674
Leisure Time Activities	628		628
Community Environment	166		166
Transportation		12,980	12,980
General Government	13,132	1,288	14,420
Capital Outlay	256		256
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	17,992	14,937	32,929
Total Receipts Over Disbursements	10,787	977	11,764
Fund Cash Balances, January 1	29,854	32,032	61,886
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$40,641	\$33,009	\$73,650
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$1,150	\$0	\$1,150
	<hr/>	<hr/>	<hr/>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$43,021
Miscellaneous	3,303
	46,324
Operating Cash Disbursements:	
Personal Services	2,625
Fringe Benefits	599
Contractual Services	24,900
Supplies and Materials	7,775
	35,899
Operating Income	10,425
Non-Operating Cash Receipts:	
Intergovernmental Receipts	20,497
Proceeds from Loans	6,957
Special Assessments	15,274
	42,728
Non-Operating Cash Disbursements:	
Debt Service	60,236
Excess of Disbursements Over Receipts Before Interfund Transfers	(7,083)
Transfers-In	8,874
Transfers-Out	(8,874)
Net Disbursements Over Receipts	(7,083)
Fund Cash Balances, January 1	45,736
Fund Cash Balances, December 31	\$38,653
Reserve for Encumbrances, December 31	\$4,460

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Latty, Paulding County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including sewer utilities, park operations (leisure time activities), and police services

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

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

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Village Hall Fund - This fund receives transfers from the general fund which will be used to construct a new municipal building in the future.

Truck Fund - This fund receives transfers from the general fund which will be used to purchase a new truck in the future.

4. Enterprise Funds

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

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Debt Retirement Fund - This fund receives special assessment revenue for the purpose of making payments on the Ohio Water Development Authority. Loan proceeds were originally used to construct a wastewater treatment plant.

EPA Grant Fund - This fund receives monies from an Environmental Protection Agency grant to be spent on manhole replacement.

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 level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$115,118	\$81,883
STAR Ohio	31,980	30,420
Total deposits and investments	\$147,098	\$112,303

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999, and 1998 follows:

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,301	\$27,751	(\$4,550)
Special Revenue	14,924	15,930	1,006
Capital Projects	0	7,000	7,000
Enterprise	259,075	173,370	(85,705)
Total	<u>\$306,300</u>	<u>\$224,051</u>	<u>(\$82,249)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,155	\$26,581	\$6,574
Special Revenue	25,137	11,806	13,331
Enterprise	251,730	212,096	39,634
Total	<u>\$310,022</u>	<u>\$250,483</u>	<u>\$59,539</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,400	\$28,779	\$379
Special Revenue	13,095	15,914	2,819
Enterprise	99,099	97,926	(1,173)
Total	<u>\$140,594</u>	<u>\$142,619</u>	<u>\$2,025</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$29,800	\$19,142	\$10,658
Special Revenue	28,280	14,937	13,343
Enterprise	97,437	109,469	(12,032)
Total	<u>\$155,517</u>	<u>\$143,548</u>	<u>\$11,969</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

4. COMPLIANCE

The Village was the recipient of \$20,497 in revenues from an EPA grant. These funds were sent directly to the OWDA to apply to the Village's OWDA loan. The Village did not record this activity on the books and records and did not appropriate for the disbursement of these funds to the OWDA.

5. PROPERTY TAX

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

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

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

6. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan 0231	\$416,659	2.00%
Ohio Water Development Authority Loan 0992	16,638	7.84%
Total	\$433,297	

Proceeds from the Ohio Water Development Authority (OWDA) loans were used to construct a wastewater facility and help finance the replacement of manholes.

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

Year ending December 31:	OWDA Loan 0231	OWDA Loan 0992
2000	\$29,153	\$1,804
2001	29,153	1,804
2002	29,153	1,804
2003	29,153	1,804
2004	29,153	1,804
Subsequent	349,839	21,658
Total	\$495,604	\$30,678

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

7. RETIREMENT SYSTEMS

A. Public Employees Retirement System

Village employees and some officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS are cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

B. Social Security

Effective July 1, 1991, all officials and employees not otherwise covered by PERS have an option to become a member of the Social Security System. As of December 31, 1999, two Village Council members, one Board of Public Affairs member, and the mayor have elected Social Security. Council's liability is 6.2 percent of wages paid.

8. RISK MANAGEMENT

The Village is a member of the Ohio Government Risk Management Plan (the Plan). The Plan assumes the risk of loss up to the limits of the Village's policy. The Plan may assess supplemental premiums. The following risks are covered by the Plan:

- Comprehensive liability
- Vehicles
- Building and contents
- Valuable papers and records
- Electronic equipment/media
- Inland marine
- Boiler and machinery
- Public officials' bonds and blanket bond

9. CONTRACTUAL COMMITMENTS

The Village had outstanding commitments at December 31, 1999 in the amount of \$39,335 for a Manhole Replacement project to be paid from the EPA Grant Fund.



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

Village of Latty
Paulding County
650 Alexander Street
PO Box 86
Latty, Ohio 45855-0086

To the Village Council:

We have audited the accompanying financial statements of the Village of Latty, Paulding County, Ohio, (the Village) as of and for the years ended December 31, 1999, and 1998, and have issued our report thereon dated April 27, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 1999-30263-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 27, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 27, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

April 27, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-30263-001

Noncompliance Citation

Ohio Revised Code § 5705.42 states, when the United States government or the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of the state to aid in paying the cost of any program, activity or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purposes by the taxing authority of such subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in the process of collection within the meaning of 5705.41, of the Ohio Revised Code.

In 1999, the Village was the beneficiary of a \$20,497 EPA Grant, that was sent directly to the vendor by the EPA. This activity was not recorded on the ledgers of the Village. The accompanying financial statements were adjusted to reflect the amount in the EPA Grant Fund which caused expenditures to exceed appropriations in the EPA Grant Fund by \$20,497, contrary to Ohio Revised Code § 5705.41(B) which requires all expenditures to be appropriated.

It is recommended that the Village record all benefits received from State and Federal Grants as a memo receipt and expenditure on the Village's records, request an amended certificate of estimated resources for these funds and the Council approve a corresponding appropriation for the expenditure.



STATE OF OHIO
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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
MAY 16, 2000**