



**VILLAGE OF LATTY  
PAULDING COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2007**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF LATTY  
PAULDING COUNTY

TABLE OF CONTENTS

<b>Title</b>	<b>Page</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	10
Statement of Activities – Cash Basis .....	11
Fund Financial Statements:	
Statement of Assets and Fund Cash Balances-Governmental Funds .....	12
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances Governmental Funds.....	13
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - General Fund - (Budgetary Basis) .....	14
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Street Construction Maintenance and Repair Fund - (Budgetary Basis).....	15
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Street Levy Fund - (Budgetary Basis).....	16
Statement of Cash Basis Net Assets – Proprietary Funds.....	17
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances Proprietary Funds.....	18
Notes to the Basic Financial Statements .....	19
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	33
Schedule of Findings.....	35
Schedule of Prior Audit Findings.....	37

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Latty, Paulding County, Ohio (the Village), as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Latty, Paulding County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General, Street Construction and Maintenance and Street Levy Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

August 20, 2008

**VILLAGE OF LATTY  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED**

This discussion and analysis of the Village of Latty's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2007, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2007 are as follows:

- The net assets of governmental activities increased by \$4,343 or 3% percent, an insignificant change from the prior year (net assets in 2006 increased by 16% percent primarily due to sale of public land to Al-Co Products, Inc).
- The net assets of business-type activities decreased by 33% primarily due to the Lift Station Replacement Project.
- The Village was awarded a grant of \$57,600 by the Ohio Public Works Commission for the replacement/construction of the lift station at the waste water treatment plant. The total cost of this project was \$73,400, resulting in \$15,800 as the Village's local share of the project.
- The Ohio Environmental Protection Agency mandated a waste water treatment planning study because of high organic overloads at the waste water treatment plant. The Village secured a 0% interest loan from the Ohio Water Development Authority to cover the cost of this study. The OEPA also mandated repair of the outfall line at the Zielke Ditch; this repair was completed in December.
- The Village completed a major reconstruction of Alexander Street from State Route 613 to Second Street at a cost of \$25,020. This included work on the intersection of Alexander Street with State Route 613.
- Plans for a new village hall and community center were completed. Estimates are still being obtained for demolition of the old structure. The engineering estimates for the cost of the structure are \$196,000.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

**VILLAGE OF LATTY  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Government into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, fire, streets and general government. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has one business-type activity, the provision of sanitary sewer services. Business-type activities are financed by a fee charged to the customers receiving the service.



**VILLAGE OF LATTY  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

**Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

**Governmental Funds** - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Street Construction, Maintenance and Repair Fund, Street Levy Fund, Ohio Public Works (OPWC) Grant Lift Station Fund and the Other Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Proprietary Funds** – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Government has four funds under the Enterprise fund classification: Sewer Operating fund, OWDA Sewer Debt Service fund, Sewer Replacement Reserve fund, and the OWDA Waste Water Planning Loan fund. When the services are provided to other department of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

**The Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2007 compared to 2006 on a cash basis:

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Assets</b>						
Cash and Cash Equivalents	<u>\$166,911</u>	<u>\$162,568</u>	<u>\$44,632</u>	<u>\$66,724</u>	<u>\$211,543</u>	<u>\$229,292</u>
<b>Net Assets</b>						
Restricted for:						
Capital Outlay	85,617	85,117			85,617	85,117
Other Purposes	34,631	41,326			34,631	41,326
Unrestricted	<u>46,663</u>	<u>36,125</u>	<u>44,632</u>	<u>66,724</u>	<u>91,295</u>	<u>102,849</u>
<b>Total Net Assets</b>	<u>\$166,911</u>	<u>\$162,568</u>	<u>\$44,632</u>	<u>\$66,724</u>	<u>\$211,543</u>	<u>\$229,292</u>

**VILLAGE OF LATTY  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

As mentioned previously, net assets of governmental activities increased \$4,343 or 3% percent during 2007. The primary reason contributing to the increase in cash balances was an increase of interest revenue.

Table 2 reflects the changes in net assets on a cash basis in 2007 and 2006 for governmental activities, business-type activities and total primary government.

(Table 2)  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Receipts:						
Program Receipts:						
Charges for Services and Sales			\$49,756	\$51,523	\$49,756	\$51,523
Operating Grants and Contributions	\$11,953	\$11,277	13,830	14,903	25,783	26,180
Capital Grants and Contributions	57,600				57,600	
Total Program Receipts	<u>69,553</u>	<u>11,277</u>	<u>63,586</u>	<u>66,426</u>	<u>133,139</u>	<u>77,703</u>
General Receipts:						
Property and Other Local Taxes	27,676	30,746			27,676	30,746
Grants and Entitlements Not Restricted to Specific Programs	16,893	16,879			16,893	16,879
Interest	7,421	5,998			7,421	5,998
Other Debt Proceeds			8,950		8,950	
Sale of Fixed Assets		10,000				10,000
Miscellaneous	648	1,760			648	1,760
Total General Receipts	<u>52,638</u>	<u>65,383</u>	<u>8,950</u>		<u>61,588</u>	<u>65,383</u>
Total Receipts	<u>122,191</u>	<u>76,660</u>	<u>72,536</u>	<u>66,426</u>	<u>194,727</u>	<u>143,086</u>
Disbursements:						
General Government	24,326	27,656			24,326	27,656
Security of Persons and Property	6,488	4,514			6,488	4,514
Transportation	29,434	20,070			29,434	20,070
Capital Outlay	57,600				57,600	
Principal Retirement						
Interest and Fiscal Charges						
Sewer			94,628	59,832	94,628	59,832
Total Disbursements	<u>117,848</u>	<u>52,240</u>	<u>94,628</u>	<u>59,832</u>	<u>212,476</u>	<u>112,072</u>
Excess (Deficiency) Before Transfers	4,343	24,420	(22,092)	6,594	(17,749)	31,014
Transfers		(810)		810		
Increase (Decrease) in Net Assets	<u>4,343</u>	<u>23,610</u>	<u>(22,092)</u>	<u>7,404</u>	<u>(17,749)</u>	<u>31,014</u>
Net Assets, January 1,	162,568	138,958	66,724	59,320	229,292	198,278
Net Assets, December 31,	<u>\$166,911</u>	<u>\$162,568</u>	<u>\$44,632</u>	<u>\$66,724</u>	<u>\$211,543</u>	<u>\$229,292</u>

**VILLAGE OF LATTY  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

Program receipts for 2007 represent 57% percent of total governmental receipts. They are comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money and a Ohio Public Works grant.

General receipts for 2007 represent 43% percent of the Village's total governmental receipts, and of this amount 53% percent are local taxes. State and federal grants and entitlements, interest and other miscellaneous receipts make up the balance of the Village's general receipts at 47% percent.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the auditor, treasurer, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of fire protection; Capital Outlay are the costs for rebuilding current infrastructure; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and capital outlay, which account for 25 and 49 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 21 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General Government	\$24,326	\$24,326	\$27,656	\$27,656
Security of Persons and Property	6,488	6,488	4,514	4,514
Transportation	29,434	17,481	20,070	8,793
Capital Outlay	57,600			
<b>Total Expenses</b>	<b>\$117,848</b>	<b>\$48,295</b>	<b>\$52,240</b>	<b>\$40,963</b>

The dependence upon property and income tax receipts is apparent as over 41 percent of governmental activities are supported through these general receipts.

**VILLAGE OF LATTY  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

**Business-type Activities**

The sanitary sewer operation of the Village is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure, although only 17 years old, has been deteriorating and the Village has begun discussing the need for major repairs and how these will be funded. The Ohio EPA has mandated a waste water treatment plant improvement study and this was begun in late December of 2006 and completed in 2007.

**The Government's Funds**

Total governmental funds had receipts of \$122,191 and disbursements of \$117,848. The total greatest change was within the OPWC Grant Fund with receipts and disbursements of \$57,600. The grant funds were provided and utilized for the rebuilding of the sewer lift station.

**General Fund Budgeting Highlights**

The Government's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The Village amended its budget several times during the year. Final budgeted receipts were above original budgeted receipts due to lower than anticipated local tax collections. The difference between final budgeted receipts and actual receipts was 16% and was a result of higher interest earnings and tax collections.

The Village did not amend budgeted disbursements for the year. The difference between final budgeted disbursements and actual disbursements was 26% and was a result of holding down general government expenses.

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure.

**Debt**

In 2007, the Village retired \$24,764 of debt from OWDA loans issued in 1992 for construction of a waste water treatment plant and collection system, with an outstanding balance due of \$249,311 at December 31, 2007. The Village entered into a new debt agreement with OWDA for a zero interest loan in the amount of \$8,950. A thorough discussion of future debt service is contained in Note 10 of the "Notes to the Financial Statements".

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

**VILLAGE OF LATTY  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

The Council plans to pursue planning and construction of a new Village hall in 2008, as the old meeting hall is beyond safe repair. Plans to begin this project were put on hold in 2007 because of higher than expected construction costs.

Budgeting for the year 2008 is difficult given the current situation of the gradual phase out of Personal Property Taxes and the deteriorating condition of the waste water treatment plant and collection system. A waste water treatment plant improvement study was mandated in 2006. The study was completed in 2007 at a cost of \$8,950. The village obtained a 0% interest loan from the Ohio Water Development Authority for this study.

**Contacting the Village of Latty's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kay Miller, Clerk-Treasurer, Village of Latty, P O Box 86, Latty, OH 45855-0086.

**VILLAGE OF LATTY  
PAULDING COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2007*

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 166,911	\$ 44,632	\$ 211,543
 <b>Net Assets</b>			
Restricted for:			
Capital Projects	\$ 85,617		\$ 85,617
Other Purposes	34,631		34,631
Unrestricted	46,663	\$ 44,632	91,295
<i>Total Net Assets</i>	<u>\$ 166,911</u>	<u>\$ 44,632</u>	<u>\$ 211,543</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LATTY  
PAULDING COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2007*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		Total	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-Type Activities
<b>Governmental Activities</b>							
Security of Persons and Property	\$ 6,488				\$ (6,488)		\$ (6,488)
Transportation	29,434		\$ 11,953		(17,481)		(17,481)
General Government	24,326				(24,326)		(24,326)
Capital Outlay	57,600			\$ 57,600			
<i>Total Governmental Activities</i>	117,848		11,953	57,600	(48,295)		(48,295)
<b>Business Type Activities</b>							
Sewer Operating	30,864	\$ 30,256				\$ (608)	(608)
OWDA Sewer Debt Service	31,365	16,500	13,830			(1,035)	(1,035)
Sewer Replacement Reserve	23,449	3,000				(20,449)	(20,449)
OWDA Waste Water Planning Loan	8,950					(8,950)	(8,950)
<i>Total Business Type Activities</i>	94,628	49,756	13,830			(31,042)	(31,042)
<i>Total Primary Government</i>	<u>\$ 212,476</u>	<u>\$ 49,756</u>	<u>\$ 25,783</u>	<u>\$ 57,600</u>	<u>\$ (48,295)</u>	<u>\$ (31,042)</u>	<u>\$ (79,337)</u>
<b>General Receipts</b>							
Property Taxes					27,676		27,676
Grants and Entitlements not Restricted to Specific Programs					16,893		16,893
Other Debt Proceeds						8,950	8,950
Earnings on Investments					7,421		7,421
Miscellaneous					648		648
<i>Total General Receipts</i>					52,638	8,950	61,588
Change in Net Assets					4,343	(22,092)	(17,749)
<i>Net Assets Beginning of Year</i>					162,568	66,724	229,292
<i>Net Assets End of Year</i>					<u>\$ 166,911</u>	<u>\$ 44,632</u>	<u>\$ 211,543</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LATTY  
PAULDING COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2007*

	General	Street Construction Maintenance and Repair	Street Levy	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 46,663	\$ 10,752	\$ 19,323	\$ 85,617	\$ 4,556	\$ 166,911
<b>Fund Balances</b>						
Unreserved:						
Undesignated, Reported in:						
General Fund	\$ 46,663					\$ 46,663
Special Revenue Funds		\$ 10,752	\$ 19,323		\$ 4,556	\$ 34,631
Capital Projects Funds				\$ 85,617		\$ 85,617
<i>Total Fund Balances</i>	<u>\$ 46,663</u>	<u>\$ 10,752</u>	<u>\$ 19,323</u>	<u>\$ 85,617</u>	<u>\$ 4,556</u>	<u>\$ 166,911</u>

See accompanying notes to the basic financial statements



**VILLAGE OF LATTY  
PAULDING COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2007*

	General	Street Construction Maintenance and Repair	Street Levy	OPWC Grant Lift Station	Other Capital Projects	Other Governmental Funds	Total
<b>Receipts</b>							
Property and Other Local Taxes	\$ 14,438		\$ 11,248			\$ 1,990	\$ 27,676
Intergovernmental	16,893	\$ 9,795	472	\$ 57,600		864	85,624
Earnings on Investments	7,421	534	81			207	8,243
Miscellaneous	148				\$ 500		648
<b>Total Receipts</b>	<b>38,900</b>	<b>10,329</b>	<b>11,801</b>	<b>57,600</b>	<b>500</b>	<b>3,061</b>	<b>122,191</b>
<b>Disbursements</b>							
Current:							
Security of Persons and Property	4,103					2,385	6,488
Transportation		20,000	3,934			5,500	29,434
General Government	24,259					67	24,326
Capital Outlay				57,600			57,600
<b>Total Disbursements</b>	<b>28,362</b>	<b>20,000</b>	<b>3,934</b>	<b>\$ 57,600</b>		<b>7,952</b>	<b>117,848</b>
<b>Net Change in Fund Balance</b>	<b>10,538</b>	<b>(9,671)</b>	<b>7,867</b>		<b>500</b>	<b>(4,891)</b>	<b>4,343</b>
<b>Fund Balances Beginning of Year</b>	<b>36,125</b>	<b>20,423</b>	<b>11,456</b>		<b>85,117</b>	<b>9,447</b>	<b>162,568</b>
<b>Fund Balances End of Year</b>	<b>\$ 46,663</b>	<b>\$ 10,752</b>	<b>\$ 19,323</b>		<b>\$ 85,617</b>	<b>\$ 4,556</b>	<b>\$ 166,911</b>

See accompanying notes to the basic financial statements

**VILLAGE OF LATTY  
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
General Fund  
For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 23,750	\$ 11,750	\$ 14,438	\$ 2,688
Intergovernmental	17,700	17,700	16,893	(807)
Earnings on Investments	3,000	3,000	7,421	4,421
Miscellaneous	1,000	1,000	148	(852)
<i>Total receipts</i>	45,450	33,450	38,900	5,450
<b>Disbursements</b>				
Current:				
Security of Persons and Property	4,200	4,200	4,103	97
General Government	34,040	34,040	24,259	9,781
<i>Total Disbursements</i>	38,240	38,240	28,362	9,878
<i>Net Change in Fund Balance</i>	7,210	(4,790)	10,538	15,328
<i>Cash Balance Beginning of Year</i>	36,125	36,125	36,125	
<i>Cash Balance End of Year</i>	\$ 43,335	\$ 31,335	\$ 46,663	\$ 15,328

See accompanying notes to the basic financial statements

**VILLAGE OF LATTY  
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Street Construction, Maintenance and Repair Fund  
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$ 8,500	\$ 8,500	\$ 9,795	\$ 1,295
Earnings on Investments	200	200	534	334
<i>Total receipts</i>	<u>8,700</u>	<u>8,700</u>	<u>10,329</u>	<u>1,629</u>
<b>Disbursements</b>				
Current:				
Transportation	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	
<i>Net Change in Fund Balance</i>	(11,300)	(11,300)	(9,671)	1,629
<i>Cash Balance Beginning of Year</i>	<u>20,423</u>	<u>20,423</u>	<u>20,423</u>	
<i>Cash Balance End of Year</i>	<u><u>\$ 9,123</u></u>	<u><u>\$ 9,123</u></u>	<u><u>\$ 10,752</u></u>	<u><u>\$ 1,629</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF LATTY  
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Street Levy Fund  
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 7,900	\$ 7,900	\$ 11,248	\$ 3,348
Intergovernmental	1,300	1,300	472	(828)
Earnings on Investments	200	200	81	(119)
<i>Total receipts</i>	<u>9,400</u>	<u>9,400</u>	<u>11,801</u>	<u>2,401</u>
<b>Disbursements</b>				
Current:				
Transportation	<u>8,075</u>	<u>8,075</u>	<u>3,934</u>	<u>4,141</u>
<i>Net Change in Fund Balance</i>	1,325	1,325	7,867	6,542
<i>Fund Balance Beginning of Year</i>	<u>11,456</u>	<u>11,456</u>	<u>11,456</u>	
<i>Fund Balance End of Year</i>	<u>\$ 12,781</u>	<u>\$ 12,781</u>	<u>\$ 19,323</u>	<u>\$ 6,542</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LATTY  
PAULDING COUNTY**

*Statement of Fund Net Assets - Cash Basis  
Proprietary Funds  
December 31, 2007*

	Sewer Operating	OWDA Sewer Debt Service	Sewer Replacement Reserve	Total Enterprise Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 17,230	\$ 4,336	\$ 23,066	\$ 44,632
Net Assets				
Unrestricted	\$ 17,230	\$ 4,336	\$ 23,066	\$ 44,632

See accompanying notes to the basic financial statements

**VILLAGE OF LATTY  
PAULDING COUNTY**

*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2007*

	Sewer Operating	OWDA Sewer Debt Service	Sewer Replacement Reserve	OWDA Waste Water Planning Loan	Total Enterprise Funds
<b>Operating Receipts</b>					
Charges for Services	\$ 30,256	\$ 16,500	\$ 3,000		\$ 49,756
<b>Operating Disbursements</b>					
Personal Services	3,772				3,772
Employee Fringe Benefits	535				535
Contractual Services	14,062	510		\$ 8,950	23,522
Supplies and Materials	6,771				6,771
<i>Total Operating Disbursements</i>	<u>25,140</u>	<u>510</u>		<u>8,950</u>	<u>34,600</u>
<i>Operating Income (Loss)</i>	<u>5,116</u>	<u>15,990</u>	<u>3,000</u>	<u>(8,950)</u>	<u>15,156</u>
<b>Non-Operating Receipts (Disbursements)</b>					
Special Assessments		13,830			13,830
Other Debt Proceeds				8,950	8,950
Capital Outlay	(5,724)				(5,724)
Principal Payments		(24,764)			(24,764)
Interest and Fiscal Charges		(6,091)			(6,091)
Other Financing Uses			(23,449)		(23,449)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(5,724)</u>	<u>(17,025)</u>	<u>(23,449)</u>	<u>\$ 8,950</u>	<u>(37,248)</u>
<i>Net Loss</i>	(608)	(1,035)	(20,449)		(22,092)
<i>Net Assets Beginning of Year</i>	<u>17,838</u>	<u>5,371</u>	<u>43,515</u>		<u>66,724</u>
<i>Net Assets End of Year</i>	<u>\$ 17,230</u>	<u>\$ 4,336</u>	<u>\$ 23,066</u>		<u>\$ 44,632</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LATTY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 1 – REPORTING ENTITY**

The Village of Latty, Paulding County Ohio (the Village), 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, sewer utilities, maintenance of Village roads and bridges, and park operations.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

**C. Jointly Governed Organizations and Public Entity Risk Pools**

The Village participates in the following jointly governed organization:

**Paulding County Fire Association (PCFA)**

The PCFA is a jointly governed organization which provides fire fighting services to three townships and three villages in Paulding County, Ohio. Each member entity has a representative on the managing board.

The Village participates in the following public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

**The Ohio Government Risk Management Plan ("the Plan"):**

The Plan was formed to provide affordable comprehensive property and liability coverage to public entities. The Plan is managed by a Board of Directors composed of representatives from its plan members.

The financial statements exclude the following entity which perform activities within the Village's boundaries for the benefit of its residents. The Village is not financially accountable for this entity nor are they fiscally dependent on the Village:

The Latty Ball Association provides supervised recreational activities for school-aged residents of the Village of Latty and the surrounding community.

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

**VILLAGE OF LATTY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

**Fund Financial Statements**

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.



**VILLAGE OF LATTY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**B. Fund Accounting**

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds.

Major governmental funds include:

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. The General fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Street Construction Maintenance and Repair Fund – This fund receives gasoline excise tax and motor vehicle license tax money for construction, reconstruction/repair, and maintenance of the Village streets.

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

Ohio Public Works Grant Lift Station Fund – This fund receives money from an Ohio Public Works Commission grant for construction of a new lift station at the waste water treatment plant.

Other Capital Projects Fund – This fund receives transferred money from the General Fund receipts for the construction of a new village hall.

**Proprietary Funds**

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. Thus fund receives charges for services from residential and commercial users to cover the cost of providing this utility.

OWDA Sewer Debt Service Fund – This fund receives a portion of charges for services from residential and commercial users and money from special assessments levied at the time of construction of the sanitary sewer system to retire debt from the Ohio Water Development Authority.

**VILLAGE OF LATTY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Sewer Replacement Reserve Fund – This fund receives money from user charges and is a reserve fund for replacement of major equipment or construction of a new waste water plant. The establishment of this fund was mandated by the United States Environmental Protection Agency (USEPA) as a part of the grant conditions attached to the USEPA construction grant in 1990.

**C. Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**E. Cash and Investments**

Village records identify the purchase of specific investments by specific funds.

**VILLAGE OF LATTY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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 negative receipts, respectively.

During 2007, the Village invested only in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 were \$7,421 which includes \$6,123 assigned from other Village funds.

**F. Inventory and Prepaid Items**

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

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

**H. Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

The Village had no interfund loans in 2007.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Long-Term Obligations**

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid

**VILLAGE OF LATTY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**K. Net Assets**

These statements report restricted net assets when enabling legislation or creditors, grantors, or laws or regulations of other governments have imposed limitations on their use. Net assets restricted for other purposes include resources restricted for fire protection and streets maintenance. The Village first applies restricted sources when incurring a disbursement for which it may use either restricted or unrestricted resources. There were no net assets restricted by enabling legislation as of December 31, 2007.

**L. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. There were no fund balance reserves at December 31, 2007.

**M. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**NOTE 3 – COMPLIANCE**

Interest earnings of \$4,349 and \$1,486 were credited to the Other Capital Projects and Sewer Replacement Reserve funds, respectively, instead of the General fund.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General and the Street Construction, Maintenance and Repair Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no encumbrances outstanding at year end (budgetary basis).

**VILLAGE OF LATTY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 5 – DEPOSITS AND INVESTMENTS**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**VILLAGE OF LATTY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

Deposits

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

At December 31, 2007, the total invested in STAR Ohio by the Village was \$159,237. STAR Ohio had an average maturity of 38.56 days.

STAR Ohio carries a rating of AAAm by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**NOTE 6 – PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Village. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

**VILLAGE OF LATTY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 6 – PROPERTY TAXES – (CONTINUED)**

The Village receives property taxes from Paulding County. The County Auditor periodically remits to the Village its portion of the taxes collected.

The assessed values upon which the fiscal year 2007 taxes were collected are:

Real Property	
Residential	\$1,377,460
Agricultural	1,890
Commercial/Industrial/Mineral	250,970
Tangible Personal Property	
Business	1,216,640
Public Utility	151,800
Total Assessed Value	<u>\$2,998,760</u>

The tax rate per \$1,000 of assessed value was \$12.10.

**NOTE 7 – RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters

The Ohio Government Risk Management Plan

During 2007, the Village contracted with The Ohio Government Risk Management Plan (“The Plan”) for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
The Ohio Plan	Commercial Property	\$ 1,078,050
Agent: V.S. Beck Insurance	General Liability	1,000,000
	Commercial Crime	5,000
	Inland Marine	10,000
	Vehicle–Liability only	1,000,000
 Auto Owners Mutual	 Public Officials Bonds	 10,000
Agent: V.S. Beck Insurance		

The Village belongs to 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 over 550 Ohio governments (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member’s deductible.

**VILLAGE OF LATTY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 7 – RISK MANAGEMENT – (CONTINUED)**

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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 retained earnings at December 31:

	<b>2007</b>	<b>2006</b>
Assets	\$11,136,455	\$9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	\$6,862,902	\$6,290,528

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

The Village does not provide health insurance for any employees or elected officials

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.



**VILLAGE OF LATTY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)**

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.50% of their annual covered salaries. The Village's contribution rate for pension benefits for 2007 was 13.85%. From January 1 through June 30, 2007, 8.85% was allocated to fund the pension and 5.0% to fund health care and from July 1, 2007, through December 31, 2007, 7.85% was allocated to fund the pension and 6.0% to fund health care. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations for 2005, 2006, and 2007 are as follows:

<u>Year Ending</u> <u>12/31/2005</u>		<u>Year Ending</u> <u>12/31/2006</u>		<u>Year Ending</u> <u>12/31/2007</u>	
<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>
\$1,290	\$ 809	\$1,480	\$ 972	\$1,420	\$ 974

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

The Ohio PERS provides post employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the traditional and combined plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Post employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post employment health care through their contributions to the Ohio PERS.

The significant actuarial assumptions and calculations relating to post employment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2006. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2006 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 5% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 374,979. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2006 (latest information available) is \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

**VILLAGE OF LATTY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 9 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**NOTE 10 – DEBT**

The Village's long-term debt activity for the year ended December 31, 2007, was as follows:

	<u>Rate</u>	<u>Balance at 12/31/06</u>	<u>Principal Increase</u>	<u>Principal Decrease</u>	<u>Balance at 12/31/07</u>	<u>Amounts Due in One Year</u>
Business-Type Activities:						
1992 OWDA Loan	2.00%	\$261,878		\$23,916	\$237,962	\$24,394
1992 OWDA Loan	7.84%	12,197		848	11,349	915
2007 OWDA Loan	0.00%		\$8,950		8,950	
Total Business-Type Activities		<u>\$274,075</u>	<u>\$8,950</u>	<u>\$24,764</u>	<u>\$258,261</u>	<u>\$25,309</u>

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

The 2007 Ohio Water Development Authority (OWDA) loan relates to a waste water study that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in annual installments beginning in 2009 over the next nine years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The following is a summary of the Village's future annual debt service requirements:

Year	OWDA Loans	
	Principal	Interest
2008	\$25,309	\$5,554
2009	26,763	5,002
2010	27,338	4,435
2011	27,930	3,853
2012	28,537	3,255
2013-2017	121,489	6,687
2018	895	
Totals	<u>\$258,261</u>	<u>\$28,786.00</u>

**VILLAGE OF LATTY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS**

Paulding County Fire Association (PCFA)

The PCFA is a jointly governed organization which provides fire fighting services to three townships and three villages in Paulding County, Ohio. Each member entity has a voting representative on the managing board.

Listed below are the participating entities and their representative budgetary share in the organization's expenses for 2007.

ENTITY	% SHARE	2006 BUDGET SHARE
Latty Village	2.21	\$ 1,163
Paulding Village	44.71	23,472
Broughton Village	1.07	560
Emerald Township	15.09	7,925
Jackson Township	17.15	9,001
Paulding Township	19.77	10,379
Totals	100.00	\$52,500

The Village also paid an additional \$243.89 toward ladder truck repairs.

The PCFA also shares a building with the Paulding Emergency Medical Services and these two organizations share the maintenance and expenses for this building. Listed below are the participating entities and their budgetary share of the building expenses.

Entity	Annual Contribution	Annual Contribution After Deduction	Annual Maintenance Fee	
Paulding EMS	16.40%		\$ 820	
Paulding Village	12.20%		610	
PCFA	71.40%		3,570	
Latty Village		2.21%		\$ 79
Broughton Village		1.07%		38
Paulding Village		44.71%		1,596
Emerald Twp		15.09%		539
Jackson Twp		17.15%		612
Paulding Twp		19.77%		706
Totals	100.00%	100.00%	\$ 5,000	\$3,570

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Latty, Paulding County (the Village) as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 20, 2008, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. Government Auditing Standards considers this service to impair the Auditor of State's independence to audit the Village. However, Government Auditing Standards permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted certain matters that we reported to the Village's management in a separate letter dated August 20, 2008.

#### **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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 20, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the finance committee, management, and Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

August 20, 2008

VILLAGE OF LATTY  
PAULDING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007

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

FINDING NUMBER 2007-001

**Noncompliance Citation – Material Weakness**

Ohio Revised Code § 135.21 requires interest earned on the investment of pooled assets be credited to the General Fund unless otherwise required by law.

Interest earnings in the amounts of \$4,349 and \$1,486 were credited to the Other Capital Projects Fund and Sewer Replacement Reserve fund. These amounts should have been credited to the General Fund. Management has included audit adjustments in the accompanying financial statements and to their cash accounting records to correctly post these revenues.

The Village should review this Revised Code section and make appropriate corrections.

**Officials Response:** Management understands and agrees with the citation and will make the necessary corrections.

FINDING NUMBER 2007-002

**Financial Reporting – Material Weakness**

The Village has elected to present its financial statements according to the American Institute of Certified Public Accountant's interpretation; it must adjust its financial statements to substantially conform to the display and now applicable disclosure requirements of Generally Accepted Accounting Principles (GAAP). According to the interpretation, the cash basis financial statement presentation must "look like" a GAAP presentation (i.e., GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, once it became effective).

The presentation requires that a statement of activities is presented in a format that reports the net (disbursements) receipts of the Village's individual functions (General Government, Transportation, etc) with the objective to report the relative financial burden of the Village's functions to its taxpayers.

In order to achieve this, certain revenues that derive directly from the function itself or from parties outside the Village's taxpayers or citizenry and help to reduce the net cost of the function are presented as program revenues. All other revenues should be reflected as general revenues.

The following presentation errors were noted on the statement of activities:

1. Ohio Public Works Grant receipts applicable to the Ohio Public Works Grant Lift Station Fund in the amount of \$57,600 were reported as general revenues instead of program revenues.
2. OWDA loan proceeds applicable to the OWDA Waste Water Fund in the amount of \$8,950 were presented as miscellaneous revenue instead of other debt proceeds.

**FINDING NUMBER 2007-002  
(Continued)**

The following errors were noted in the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance:

1. OWDA loan proceeds applicable to the OWDA Waste Water Fund in the amount of \$8,950 were presented as other financing sources instead of other debt proceeds.
2. Expenditures of \$8,950 relating to a waste water study in the OWDA Waster Water Fund were presented as other financing uses instead of contractual expenditures.

Sound 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 complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Clerk-Treasurer, to identify and correct errors and omissions.

**Officials' Response:** Management will implement a final review process to check for material errors and omissions to the financial statements and notes.



VILLAGE OF LATTY  
PAULDING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	5705.36(A)(2), (A)(4) and 5705.39- actual amounts available for appropriation were less than amounts estimated	Yes	
2006-002	Significant Deficiency over financial reporting	No	Reissued as finding 2007-002 in this report.





**Mary Taylor, CPA**  
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  
SEPTEMBER 18, 2008**