



Dave Yost • Auditor of State



LATTY TOWNSHIP  
PAULDING COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Latty Township, Paulding County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than

accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Latty Township, Paulding County, Ohio as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 11, 2018

**LATTY TOWNSHIP  
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$18,315	\$42,112	\$60,427
Licenses, Permits and Fees	261		261
Intergovernmental	24,329	117,510	141,839
Earnings on Investments	9	9	18
Miscellaneous	22,251	3,400	25,651
<i>Total Cash Receipts</i>	<u>65,165</u>	<u>163,031</u>	<u>228,196</u>
<b>Cash Disbursements</b>			
Current:			
General Government	26,014	446	26,460
Public Safety		21,600	21,600
Public Works	5,647	115,757	121,404
Health	1,788	11,509	13,297
Capital Outlay	2,400	4,500	6,900
<i>Total Cash Disbursements</i>	<u>35,849</u>	<u>153,812</u>	<u>189,661</u>
<i>Excess of Receipts Over Disbursements</i>	<u>29,316</u>	<u>9,219</u>	<u>38,535</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		14,000	14,000
Transfers Out	(14,000)		(14,000)
Other Financing Sources	359		359
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(13,641)</u>	<u>14,000</u>	<u>359</u>
<i>Net Change in Fund Cash Balances</i>	15,675	23,219	38,894
<i>Fund Cash Balances, January 1</i>	<u>259,605</u>	<u>121,392</u>	<u>380,997</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		114,092	114,092
Committed		30,519	30,519
Assigned	47,842		47,842
Unassigned	227,438		227,438
<i>Fund Cash Balances, December 31</i>	<u>\$275,280</u>	<u>\$144,611</u>	<u>\$419,891</u>

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

**LATTY TOWNSHIP  
PAULDING COUNTY**

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

**1. REPORTING ENTITY**

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

The Township participates in the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 8 to the financial statements provide additional information for this entity.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

Gasoline Tax Fund – The Gasoline Tax Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Accounting Basis***

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

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

**LATTY TOWNSHIP  
PAULDING COUNTY**

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

***Budgetary Process***

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2016 budgetary activity appears in Note 4.

***Deposits and Investments***

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

The Township's certificates of deposit are valued at cost.

***Fund Balance***

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

**1. Nonspendable**

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

**2. Restricted**

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

**LATTY TOWNSHIP  
PAULDING COUNTY**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**Capital Assets**

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

**3. DEPOSITS**

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

	2016
Demand deposits	<u>\$186,913</u>
Certificates of deposit	<u>232,978</u>
Total deposits	<u><u>\$419,891</u></u>

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

**4. BUDGETARY ACTIVITY**

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

**LATTY TOWNSHIP  
PAULDING COUNTY**

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

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,658	\$65,524	\$20,866
Special Revenue	173,809	177,031	3,222
Total	<u>\$218,467</u>	<u>\$242,555</u>	<u>\$24,088</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,316	\$50,212	\$44,104
Special Revenue	257,111	154,672	102,439
Total	<u>\$351,427</u>	<u>\$204,884</u>	<u>\$146,543</u>

**5. PROPERTY TAX**

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

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

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

**6. DEFINED PENSION BENEFIT PLAN**

***Ohio Public Employees Retirement System***

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

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

**7. POSTEMPLOYMENT BENEFITS**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits.

**LATTY TOWNSHIP  
PAULDING COUNTY**

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

**8. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

**Risk Pool Membership**

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

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

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

**9. INTERFUND TRANSFERS**

For the year ended December 31, 2016, the General Fund transferred \$10,000 and \$4,000 to the Special Revenue Road and Bridge Fund and Cemetery Fund, respectively.

**LATTY TOWNSHIP  
PAULDING COUNTY**

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

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

**10. MISCELLANEOUS RECEIPTS**

Miscellaneous receipts in the General Fund primarily consisted of payments in lieu of taxes (PILOT) monies from windfarm energy settlements which were collected and distributed to the Township by Paulding County.

**11. COMPLIANCE**

Contrary to Ohio Rev. Code § 5705.10, homestead and rollback monies related to the Township's road and bridge, fire, and emergency medical services (EMS) tax levies were misposted to the General Fund in 2016.

Contrary to Ohio Rev. Code § 505.24(C), Trustee compensation was not properly allocated to the General Fund in 2016.

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**LATTY TOWNSHIP  
PAULDING COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$19,573	\$44,177		\$63,750
Licenses, Permits and Fees	205			205
Intergovernmental	24,346	104,551	\$55,155	184,052
Earnings on Investments	11	10		21
Miscellaneous	20,045	3,550		23,595
<i>Total Cash Receipts</i>	<u>64,180</u>	<u>152,288</u>	<u>55,155</u>	<u>271,623</u>
<b>Cash Disbursements</b>				
Current:				
General Government	48,436	449		48,885
Public Safety		19,200		19,200
Public Works	1,935	159,659		161,594
Health	1,743	1,466		3,209
Capital Outlay		860	55,155	56,015
<i>Total Cash Disbursements</i>	<u>52,114</u>	<u>181,634</u>	<u>\$55,155</u>	<u>288,903</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>12,066</u>	<u>(29,346)</u>		<u>(17,280)</u>
<b>Other Financing Receipts / (Disbursements)</b>				
Transfers In		25,000		25,000
Transfers Out	(25,000)			(25,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(25,000)</u>	<u>25,000</u>		
<i>Net Change in Fund Cash Balances</i>	<u>(12,934)</u>	<u>(4,346)</u>		<u>(17,280)</u>
<i>Fund Cash Balances, January 1</i>	<u>272,539</u>	<u>125,738</u>		<u>398,277</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		112,964		112,964
Committed		8,428		8,428
Assigned	49,658			49,658
Unassigned	209,947			209,947
<i>Fund Cash Balances, December 31</i>	<u>\$259,605</u>	<u>\$121,392</u>		<u>\$380,997</u>

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

**LATTY TOWNSHIP  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**1. REPORTING ENTITY**

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

The Township participates in the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 8 to the financial statements provide additional information for this entity.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

Road and Bridge Fund - The Road and Bridge Fund accounts for property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund - The Gasoline Tax Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

**3. Capital Project Funds**

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

**LATTY TOWNSHIP  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

Public Works Commission Project Fund – The Township received Ohio Public Works Commission (OPWC) grant monies which were administered by the County Engineer to maintain and repair Township roads.

***Accounting Basis***

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

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

***Budgetary Process***

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2015 budgetary activity appears in Note 4.

***Deposits and Investments***

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

The Township's certificates of deposit are valued at cost.

**LATTY TOWNSHIP  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

***Fund Balance***

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

***Capital Assets***

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

**LATTY TOWNSHIP  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**3. DEPOSITS**

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

	<u>2015</u>
Demand deposits	\$148,019
Certificates of deposit	232,978
Total deposits	\$380,997

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

**4. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,658	\$64,180	\$26,522
Special Revenue	178,809	177,288	(1,521)
Capital Projects		55,155	55,155
Total	\$216,467	\$296,623	\$80,156

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$100,770	\$77,329	\$23,441
Special Revenue	259,568	182,595	76,973
Capital Projects	55,155	55,155	
Total	\$415,493	\$315,079	\$100,414

**5. PROPERTY TAX**

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

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

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

**LATTY TOWNSHIP  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**6. DEFINED PENSION BENEFIT PLAN**

***Ohio Public Employees Retirement System***

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

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

**7. POSTEMPLOYMENT BENEFITS**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits.

**8. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

**Risk Pool Membership**

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

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

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

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal

**LATTY TOWNSHIP  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

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

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

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

	<b>2015</b>
Assets	<u>\$14,643,667</u>
Liabilities	<u>(9,112,030)</u>
Members' Equity	<u>\$5,531,637</u>

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

**9. INTERFUND TRANSFERS**

For the year ended December 31, 2015, the General Fund transferred \$25,000 to the Special Revenue Road and Bridge Fund to cover payments for road related projects.

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

**10. MISCELLANEOUS RECEIPTS**

Miscellaneous receipts in the General Fund primarily consisted of payments in lieu of taxes (PILOT) monies from windfarm energy settlements which were collected and distributed to the Township by Paulding County.

**11. COMPLIANCE**

Contrary to Ohio Rev. Code § 505.24(C), Trustee compensation was not properly allocated to the General Fund in 2015.

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# Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Latty Township, Paulding County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated January 11, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-004 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 11, 2018

**LATTY TOWNSHIP  
PAULDING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Noncompliance Citation and Material Weakness**

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

In 2016, homestead and rollback monies totaling \$5,666 related to the Township's road and bridge, fire, and emergency medical services (EMS) tax levies were misposted to the General Fund; these monies should have been posted to the following Special Revenue funds in the specified amounts: Road and Bridge Fund \$3,411, Special Fire Levy Fund \$1,589, and Special EMS Levy Fund \$666.

Additionally, payments totaling \$1,330 for mowing services at the Township's cemeteries were improperly paid from the Special Revenue Special EMS Levy Fund instead of the Special Revenue Cemetery Fund in 2015.

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

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

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

To help prevent monies from being used for purposes other than those prescribed by law, we recommend the Fiscal Officer review all financial transactions to make sure they are included in the proper fund and account codes as specified in the Ohio Revised Code and the Ohio Township Handbook issued by the Auditor of State.

**FINDING NUMBER 2016-002**

**Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 505.24(C)** sets forth the method by which township trustees' compensation should be allocated. This section is further clarified by Ohio Attorney General (OAG) Opinion 2004-036.

For salaries not paid from the General Fund, pursuant to OAG Opinion 2004-036, trustees are required to establish administrative procedures to document the proportionate amount chargeable to other Township funds based on the kinds of services rendered. The "administrative procedures" can be time sheets or a similar method of record keeping, as long as the trustees document all the time spent on Township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

Also, as clarified in Auditor of State Bulletin 2013-002, township officials are required to attend board meetings in order to conduct the regular business of the township. Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

The Board did not pass a resolution in 2015 or 2016 approving the method of compensation by which Township officials would be paid. The Trustees documented time spent on administrative and road related services; however, the Trustees did not complete the required monthly certifications which indicate the percentage of time spent on matters to be paid from the Township General Fund and from other Township funds in such proportions as the kinds of services performed in 2016 or 2015.

Furthermore, all of the Trustees' compensation (including related benefits) was charged entirely to the Gasoline Tax Fund in 2015 while one of the Trustee's pay was similarly charged entirely to the Gasoline Tax Fund in 2016. Since the Trustees attended board meetings and conducted general administrative business related to the Township, a portion of their pay should have been charged to the General Fund each year. Accordingly, a total of \$8,465 in 2016 and \$26,412 in 2015 was improperly charged to the Gasoline Tax Fund.

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

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

We recommend the Trustees' compensation be apportioned to the proper funds based on salary certifications or other documentation (e.g. time sheets) which supports their time logged for administrative and road work to be paid from the general and road funds.

#### **FINDING NUMBER 2016-003**

##### **Material Weakness – Monitoring of Financial Statements**

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

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

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

- In 2016 and 2015, the Township received payments in lieu of taxes (PILOT) monies related to windfarms located within the Township totaling \$20,251 and \$19,986, respectively, which were misposted as licenses, permits and fees in the General Fund instead of miscellaneous receipts.
- In 2015, disbursements totaling \$13,500 and \$5,700 for contracts with area villages for fire protection and emergency medical services (EMS) were misclassified as general government disbursements instead of public safety disbursements in the Special Revenue Special Fire Levy Fund and Special EMS Levy Fund, respectively.
- As of December 31, 2016 and 2015, the Special Revenue Road and Bridge Fund balance in the amount of \$27,108 and \$8,428, respectively, were improperly classified as restricted fund balance instead of committed fund balance. Since the inside millage on the Township's road and bridge levy is internally imposed by the Trustees, the fund balance should be reported as committed.
- As of December 31, 2016 and 2015, the General Fund's appropriations exceeded estimated receipts for the subsequent year, and as such, this excess should have been reported as assigned fund balance instead of unassigned fund balance in accordance with GASB Statement No. 54. This overstated the unassigned fund balance and understated the assigned fund balance in the General Fund by \$47,842 and \$49,658, respectively.

As a result, the Township's financial statements did not correctly reflect the financial activity of the Township. The Township's financial statements and accounting records have been adjusted to reflect these and other discrepancies ranging from \$59 to \$55,155.

We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Uniform Accounting Network manual and GASB Statement No. 54. Furthermore, the Township should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements, by the Fiscal Officer and the Trustees to help ensure errors and omissions are detected and corrected. Additionally, we recommend the Township Officials review Auditor of State Bulletin 2011-004 and monitor the financial statements for inclusion of the proper GASB 54 disclosures.

#### **FINDING NUMBER 2016-004**

##### **Material Weakness – Recording On-Behalf Grant Funds**

Sound accounting practices require money spent on behalf of the Township by other governments be posted to the Township's ledgers.

In 2015, the Township was the beneficiary of \$55,155 of Ohio Public Works Commission (OPWC) money paid directly to the vendor by OPWC on behalf of the Township. The Fiscal Officer did not record the corresponding grant receipt and disbursement activity in the accounting system. Since OPWC paid the invoices, the Township did not receive this cash. However, Auditor of State Bulletin 2000-08 prescribes recording these transactions as receipts and disbursements when the Township applies for a project and has administrative responsibilities. This error was not identified and corrected prior to the audit due to deficiencies in the Township's financial statement monitoring.

The Township's financial statements and notes to the financial statements were adjusted to reflect these amounts in the Capital Projects Fund in 2015.

We recommend the Township record all benefits received from OPWC as a memo receipt and expenditure on the Township's records, request an amended certificate of estimated resources for these funds, and the Board approve a corresponding appropriation for the expenditure. In addition, the Fiscal Officer should review Auditor of State Bulletin 2000-08 for further information on accounting for on-behalf grant funds.

**Officials' Response:**

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

**LATTY TOWNSHIP  
PAULDING COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Material weakness and material noncompliance of Ohio Rev. Code § 5705.10(D) and Ohio Rev. Code § 5735.27(A)(5)(d) for gasoline excise tax and motor vehicle registration receipts posting to the improper fund.	Not corrected. Reissued as finding 2016-001 in this report.	The client declined to offer an explanation why the finding reoccurred. The Fiscal Officer plans to review future postings of financial activity to make sure they are properly posted to the correct funds.
2014-002	Material noncompliance of Ohio Rev. Code § 5705.40 for legally adopted appropriations differing from amounts posted to the accounting system.	Partially corrected. Reissued in the Management Letter.	The client declined to offer an explanation why the finding reoccurred. The Fiscal Officer plans to review future postings of estimated appropriation amounts to make sure they are properly posted in the accounting ledgers and notes to the financial statements.
2014-003	Material noncompliance of Ohio Rev. Code § 505.24(C) for failure to follow proper Trustee compensation allocation.	Not corrected. Reissued as finding 2016-002 in this report.	The client declined to offer an explanation why the finding reoccurred or what corrective action they may anticipate.
2014-004	Material weakness for lack of monitoring of financial transactions.	Not corrected. Reissued as finding 2016-003 in this report.	The client declined to offer an explanation why the finding reoccurred. The Fiscal Officer plans to review future postings of financial activity to make sure they are properly reported in the accounting ledgers and financial statements.

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# Dave Yost • Auditor of State

LATTY TOWNSHIP

PAULDING COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JANUARY 30, 2018