



**VILLAGE OF LATTY
PAULDING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF LATTY
PAULDING COUNTY

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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, 2006, 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, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Street Construction and Maintenance Fund and Street Levy Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2006, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

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.



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, 2006
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, 2006, 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 2006 are as follows:

- The net assets increased by \$31,014 or 16%, a significant change from the prior year. The increase is primarily attributed to the sale of assets, increase in interest earnings and increase in gas tax revenues.
- The Village closed the South half of Railroad Street (from the alley South to Second St). The property deemed no longer needed by the Village was advertised for bids and sold to Al-Co Products, Inc. for \$10,000. The proceeds of this sale were transferred from the General Fund to the Village Hall Capital Projects Fund. The Village signed a 15-year enterprise zone agreement with Al-Co Products, Inc. Al-Co Products, Inc. will use the property for an expansion to their factory.

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.

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.

**VILLAGE OF LATTY
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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 modified 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 2006, 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, including fire protection and streets. 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.

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.

**VILLAGE OF LATTY
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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 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 Village has four funds under the Enterprise fund classification: Sewer Operating fund, OWDA Sewer, and the Sewer Replacement Reserve 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 2006 on a cash basis. Since the Village did not prepare financial statements in this format in 2005, a comparative analysis of government wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be prepared.

Net Assets			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2006</u>	<u>2006</u>	<u>2006</u>
Assets			
Cash and Cash Equivalent:	<u>\$162,568</u>	<u>\$66,724</u>	<u>\$229,292</u>
Net Assets			
Restricted for:			
Capital Outlay	85,117		85,117
Other Purposes	41,326		41,326
Unrestricted	<u>36,125</u>	<u>66,724</u>	<u>102,849</u>
Total Net Assets	<u>\$162,568</u>	<u>\$66,724</u>	<u>\$229,292</u>

Net assets of increased \$ 31,014 or 16% during 2006. The primary reasons contributing to the increase in cash balances are as follows:

- The Village sold property for \$10,000.
- There was an increase in gasoline tax revenue due to the higher gasoline prices.

**VILLAGE OF LATTY
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
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(Continued)**

- The Village received \$3,200 in Permissive Motor Vehicle tax revenues for street projects in 2006.
- The Village raised the monthly sewer bill from \$41 to \$45 per month. Also, the Village recovered additional money from higher than usual delinquent payments. New home construction resulted in receipts of \$3,737 for tap fees.

Table 2 reflects the changes in net assets on a cash basis in 2006 for governmental activities, business-type activities and total primary government. Since the Village did not prepare financial statements in this format in 2005, a comparative analysis of government wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be prepared.

Changes in Net Assets

	Governmental Activities 2006	Business-Type Activities 2006	Total 2006
Receipts:			
Program Receipts:			
Charges for Services and Sales		\$51,523	\$51,523
Operating Grants and Contributions	\$11,277	14,903	26,180
Total Program Receipts	11,277	66,426	77,703
General Receipts:			
Property and Other Local Taxes	30,746		30,746
Grants and Entitlements Not Restricted to Specific Programs	16,879		16,879
Interest	5,998		5,998
Sale of Fixed Assets	10,000		10,000
Miscellaneous	1,760		1,760
Total General Receipts	65,383		65,383
Total Receipts	76,660	66,426	143,086
Disbursements:			
General Government	27,656		27,656
Security of Persons and Property	4,514		4,514
Transportation	20,070		20,070
Sewer		59,832	59,832
Total Disbursements	52,240	59,832	112,072
Excess Before Transfers	24,420	6,594	31,014
Transfers	(810)	810	
Increase in Net Assets	23,610	7,404	31,014
Net Assets, January 1, 2006	138,958	59,320	198,278
Net Assets, December 31, 2006	\$162,568	\$66,724	\$229,292

**VILLAGE OF LATTY
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
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(Continued)**

Program receipts represent 15% of total governmental receipts. They are comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 85% of the Village's total governmental receipts, and of this amount 47% are local taxes. State and federal grants and entitlements, interest and other miscellaneous receipts make up the balance of the Government's general receipts at 53%.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other government 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; 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 general government which accounts for 53 percent of all governmental disbursements. Transportation also represents a significant cost, about 38 percent. The next two 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 2006	Net Cost of Services 2006
General Government	\$27,656	\$27,656
Security of Persons and Property	4,514	4,514
Transportation	20,070	8,793
Total Expenses	<u>\$52,240</u>	<u>\$40,963</u>

The dependence upon property tax receipts is apparent as over 78 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, 2006
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 16 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.

The Government's Funds

Total governmental funds had receipts and other financing sources of \$100,011 and disbursements and other financing uses of \$76,401. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased by \$19,085 (before transfers to the Village Hall Capital Improvement Fund), partially as the result of the sale of real property owned by the Village and higher than expected interest from STAR Ohio.

The street construction, maintenance and repair fund had receipts of \$10,537 and disbursements of \$17,663 showing a negative net receipts over disbursements in this fund of \$7,126. Revenue decreased based on the establishment of the Street Levy Fund and the posting of levy monies to the fund. Expenditures reflect road improvement work.

The street levy fund was established in 2006 and had receipts of \$11,530. This fund only had one disbursement of \$74 thus giving this fund a net increase of \$11,456.

General Fund Budgeting Highlights

The Village'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.

Final budgeted receipts remained unchanged from the original budget. Actual receipts exceeded final budgeted receipts due to a significant increase in earnings on investments.

Final budgeted disbursements did not significantly change from the original budget. Actual disbursements did not vary significantly from final budgeted disbursements. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

Capital Assets

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

Debt

In 2006, the Village retired \$24,233 of debt from OWDA loans issued in 1992 for construction of a waste water treatment plant and collection system, with a remaining balance of \$274,075 at December 31, 2006. A thorough discussion of future debt service is contained in Note 11 of the "Notes to the Financial Statements".

**VILLAGE OF LATTY
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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.

The Village has been able to set aside money in the Other Capital Projects fund for the construction of a new Village Hall. The Council plans to pursue planning and construction of a new Village hall in 2007, as the old meeting hall is beyond safe repair.

Budgeting for the year 2007 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. Pending completion of this study and further mandates may cause changes in our budgeting for 2007 in the Enterprise funds.

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, 2006*

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 162,568	\$ 66,724	\$ 229,292
 Net Assets			
Restricted for:			
Capital Projects	\$ 85,117		\$ 85,117
Other Purposes	41,326		41,326
Unrestricted	36,125	\$ 66,724	102,849
<i>Total Net Assets</i>	\$ 162,568	\$ 66,724	\$ 229,292

See accompanying notes to the basic financial statements

**VILLAGE OF LATTY
PAULDING COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2006*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Security of Persons and Property	\$ 4,514			\$ (4,514)		\$ (4,514)
Transportation	20,070		\$ 11,277	(8,793)		(8,793)
General Government	27,656			(27,656)		(27,656)
<i>Total Governmental Activities</i>	52,240		11,277	(40,963)		(40,963)
Business Type Activities						
Sewer Operating	27,400	\$ 32,023			\$ 4,623	4,623
OWDA Sewer Debt Service	31,452	16,500	14,903		(49)	(49)
Sewer Replacement Reserve	980	3,000			2,020	2,020
<i>Total Business Type Activities</i>	59,832	51,523	14,903		6,594	6,594
<i>Total Primary Government</i>	<u>\$ 112,072</u>	<u>\$ 51,523</u>	<u>\$ 26,180</u>	<u>\$ (40,963)</u>	<u>\$ 6,594</u>	<u>\$ (34,369)</u>
General Receipts						
Property Taxes				\$ 30,746		\$ 30,746
Grants and Entitlements not Restricted to Specific Programs				16,879		16,879
Earnings on Investments				5,998		5,998
Sale of Fixed Assets				10,000		10,000
Miscellaneous				1,760		1,760
<i>Total General Receipts</i>				65,383		65,383
Transfers				(810)	810	
<i>Total General Receipts and Transfers</i>				64,573	810	65,383
Change in Net Assets				23,610	7,404	31,014
<i>Net Assets Beginning of Year</i>				138,958	59,320	198,278
<i>Net Assets End of Year</i>				<u>\$ 162,568</u>	<u>\$ 66,724</u>	<u>\$ 229,292</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LATTY
PAULDING COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006*

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Street Levy</u>	<u>Other Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 36,125	\$ 20,423	\$ 11,456	\$ 85,117	\$ 9,447	\$ 162,568
Fund Balances						
Unreserved:						
Undesignated, Reported in:						
General Fund	\$ 36,125					\$ 36,125
Special Revenue Funds		\$ 20,423	\$ 11,456		\$ 9,447	\$ 41,326
Capital Projects Funds				\$ 85,117		\$ 85,117
<i>Total Fund Balances</i>	<u>\$ 36,125</u>	<u>\$ 20,423</u>	<u>\$ 11,456</u>	<u>\$ 85,117</u>	<u>\$ 9,447</u>	<u>\$ 162,568</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- Cash Basis
For the Year Ended December 31, 2006*

	General	Street Construction Maintenance and Repair	Street Levy	Other Capital Projects	Other Governmental Funds	Total
Receipts						
Property and Other Local Taxes	\$ 14,717		\$ 11,062		\$ 4,967	\$ 30,746
Intergovernmental	16,879	\$ 9,293	468		1,005	27,645
Earnings on Investments	5,998	407			104	6,509
Miscellaneous	923	837				1,760
Total Receipts	38,517	10,537	11,530		6,076	66,660
Disbursements						
Current:						
Security of Persons and Property	3,145				1,369	4,514
Transportation		16,796	74		3,200	20,070
General Government	26,287	867			502	27,656
Total Disbursements	29,432	17,663	74		5,071	52,240
Excess of Receipts Over (Under) Disbursements	9,085	(7,126)	11,456		1,005	14,420
Other Financing Sources (Uses)						
Sale of Fixed Assets	10,000					10,000
Transfers In				\$ 23,351		23,351
Transfers Out	(24,161)					(24,161)
Total Other Financing Sources (Uses)	(14,161)			23,351		9,190
Net Change in Fund Balances	(5,076)	(7,126)	11,456	23,351	1,005	23,610
Fund Balances Beginning of Year	41,201	27,549		61,766	8,442	138,958
Fund Balances End of Year	\$ 36,125	\$ 20,423	\$ 11,456	\$ 85,117	\$ 9,447	\$ 162,568

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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 14,000	\$ 14,000	\$ 14,717	\$ 717
Intergovernmental	17,800	17,800	16,879	(921)
Earnings on Investments	1,000	1,000	5,998	4,998
Miscellaneous	1,000	1,000	923	(77)
<i>Total receipts</i>	33,800	33,800	38,517	4,717
Disbursements				
Current:				
Security of Persons and Property	4,000	4,000	3,145	855
General Government	27,777	29,194	26,287	2,907
<i>Total Disbursements</i>	31,777	33,194	29,432	3,762
<i>Excess of Receipts Over Disbursements</i>	2,023	606	9,085	8,479
Other Financing Sources (Uses)				
Sale of Fixed Assets	10,000	10,000	10,000	
Transfers Out	(20,000)	(22,080)	(24,161)	(2,081)
<i>Total Other Financing Sources (Uses)</i>	(10,000)	(12,080)	(14,161)	(2,081)
<i>Net Change in Fund Balance</i>	(7,977)	(11,474)	(5,076)	6,398
<i>Fund Balance Beginning of Year</i>	41,201	41,201	41,201	
<i>Fund Balance End of Year</i>	\$ 33,224	\$ 29,727	\$ 36,125	\$ 6,398

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, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 10,700	\$ 3,500		\$ (3,500)
Intergovernmental	8,850	8,560	\$ 9,293	733
Earnings on Investments	200	200	407	207
Miscellaneous	1,400	913	837	(76)
<i>Total receipts</i>	<u>21,150</u>	<u>13,173</u>	<u>10,537</u>	<u>(2,636)</u>
Disbursements				
Current:				
Transportation	32,750	24,773	16,796	7,977
General Government	900	900	867	33
Capital Outlay	1,500	1,500		1,500
<i>Total Disbursements</i>	<u>35,150</u>	<u>27,173</u>	<u>17,663</u>	<u>9,510</u>
<i>Net Change in Fund Balance</i>	<u>(14,000)</u>	<u>(14,000)</u>	<u>(7,126)</u>	<u>6,874</u>
<i>Fund Balance Beginning of Year</i>	<u>27,549</u>	<u>27,549</u>	<u>27,549</u>	
<i>Fund Balance End of Year</i>	<u>\$ 13,549</u>	<u>\$ 13,549</u>	<u>\$ 20,423</u>	<u>\$ 6,874</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, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$ 6,800	\$6,800	\$ 11,062	\$ 4,262
Intergovernmental	1,177	1,177	468	(709)
<i>Total receipts</i>	<u>7,977</u>	<u>7,977</u>	<u>11,530</u>	<u>3,553</u>
Disbursements				
Current:				
Transportation	<u>75</u>	<u>75</u>	<u>74</u>	<u>1</u>
<i>Net Change in Fund Balance</i>	<u>7,902</u>	<u>7,902</u>	<u>11,456</u>	<u>3,554</u>
<i>Fund Balance Beginning of Year</i>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Fund Balance End of Year</i>	<u>\$ 7,902</u>	<u>\$ 7,902</u>	<u>\$ 11,456</u>	<u>\$ 3,554</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LATTY
PAULDING COUNTY**

*Statement of Fund Net Assets
Proprietary Funds - Cash Basis
December 31, 2006*

	Sewer Operating	OWDA Sewer Debt Service	Sewer Replacement Reserve	Total Enterprise Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 17,838	\$ 5,371	\$ 43,515	\$ 66,724
Net Assets				
Unrestricted	\$ 17,838	\$ 5,371	\$ 43,515	\$ 66,724

See accompanying notes to the basic financial statements

**VILLAGE OF LATTY
PAULDING COUNTY**

*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets
Proprietary Funds - Cash Basis
For the Year Ended December 31, 2006*

	Sewer Operating	OWDA Sewer Debt Service	Sewer Replacement Reserve	Total Enterprise
Operating Receipts				
Charges for Services	\$ 31,484	\$ 16,500	\$ 3,000	\$ 50,984
Other Operating Receipts	539			539
<i>Total Operating Receipts</i>	<u>32,023</u>	<u>16,500</u>	<u>3,000</u>	<u>51,523</u>
Operating Disbursements				
Personal Services	3,750			3,750
Employee Fringe Benefits	527			527
Contractual Services	17,340	604	293	18,237
Supplies and Materials	4,831			4,831
<i>Total Operating Disbursements</i>	<u>26,448</u>	<u>604</u>	<u>293</u>	<u>27,345</u>
<i>Operating Income</i>	<u>5,575</u>	<u>15,896</u>	<u>2,707</u>	<u>24,178</u>
Non-Operating Receipts (Disbursements)				
Special Assessments		14,903		14,903
Capital Outlay	(952)			(952)
Principal Payments		(24,233)		(24,233)
Interest and Fiscal Charges		(6,615)		(6,615)
Other Financing Uses			(687)	(687)
<i>Total Non-Operating Disbursements</i>	<u>(952)</u>	<u>(15,945)</u>	<u>(687)</u>	<u>(17,584)</u>
<i>Income (Loss) before Transfers</i>	<u>4,623</u>	<u>(49)</u>	<u>2,020</u>	<u>6,594</u>
Transfers In			810	810
<i>Change in Net Assets</i>	4,623	(49)	2,830	7,404
<i>Net Assets Beginning of Year</i>	<u>13,215</u>	<u>5,420</u>	<u>40,685</u>	<u>59,320</u>
<i>Net Assets End of Year</i>	<u>\$ 17,838</u>	<u>\$ 5,371</u>	<u>\$ 43,515</u>	<u>\$ 66,724</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, 2006**

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 Organization and Public Entity Risk Pool

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 8 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 is it 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, 2006
(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, 2006
(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.

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. This 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.

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.

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

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 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.

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.

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

During 2006, 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 2006 were \$5,998 which includes \$4,198 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 2006.

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 9 and 10, 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

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, 2006.

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

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, 2006.

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 – CHANGE IN FINANCIAL STATEMENT PRESENTATION

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

NOTE 4 – COMPLIANCE

Actual amounts available for appropriation were less than the amounts estimated to the county auditor and current level of appropriations in the Ohio Public Works Grant Fund and the OWDA Waste Water Planning Authority Fund.

NOTE 5 – 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, Street Construction, Maintenance and Repair Fund and the Street Levy 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, 2006
(Continued)**

NOTE 6 – 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).

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 6 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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.

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, 2006, the total invested in STAR Ohio by the Village was \$155,221. 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 7 – 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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005, and are collected in 2006 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.

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 7 – PROPERTY TAXES – (CONTINUED)

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2004. 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.

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 2006 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	\$2,998,760

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

NOTE 8 – 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 2006, 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 Agent: V.S. Beck Insurance	Commercial Property	\$ 1,036,587
	General Liability	1,000,000
	Commercial Crime	5,000
	Inland Marine	10,000
	Vehicle–Liability only	1,000,000
Auto Owners Mutual Agent: V.S. Beck Insurance	Public Officials Bonds	10,000

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 8 – RISK MANAGEMENT – (CONTINUED)

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.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. 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:

	2006	2005
Assets	\$9,620,148	\$8,219,430
Liabilities	(3,329,620)	(2,748,639)
Members' Equity	\$6,290,528	\$5,470,791

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

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

NOTE 9 – 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.

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 9 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)

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.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 (%) percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2006 was 13.70 (%) percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations for 2004, 2005, and 2006 are as follows:

<u>Year Ending</u> <u>12/31/2004</u>		<u>Year Ending</u> <u>12/31/2005</u>		<u>Year Ending</u> <u>12/31/2006</u>	
<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>
\$1,830	\$ 316	\$1,290	\$ 809	\$1,480	\$ 972

NOTE 10 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 10 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

NOTE 11 – DEBT

The Village's long-term debt activity for the year ended December 31, 2006, was as follows:

	<u>Rate</u>	<u>Balance at 12/31/05</u>	<u>Principal Increase</u>	<u>Principal Decrease</u>	<u>Balance at 12/31/06</u>	<u>Amounts Due in One Year</u>
Business-Type Activities:						
1992 OWDA Loan	2.00%	\$285,324		\$23,446	\$261,878	\$23,916
1992 OWDA Loan	7.84%	12,984		787	12,197	848
Total Business-Type Activities		<u>\$298,308</u>		<u>\$24,233</u>	<u>\$274,075</u>	<u>\$24,764</u>

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

Year	OWDA Loans	
	Principal	Interest
2007	\$24,764	\$6,091
2008	25,309	5,554
2009	25,868	5,002
2010	26,443	4,435
2011	27,035	3,853
2012 - 2016	<u>144,656</u>	<u>9,942</u>
Totals	<u>\$274,075</u>	<u>\$34,877</u>

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 12 – INTERFUND TRANSFERS

During 2006, the following transfers were made:

Transfers from the General Fund to:	
Village Hall Fund	\$23,351
Sewer Replacement/Reserve	810
Total Transfers from the General Fund	\$24,161

Transfers to the Other Capital Projects Fund are to accumulate funds for the construction of a new Village Hall. Transfers to the Sewer Replacement Reserve fund were for interest receipts earned from deposits with Star Ohio.

NOTE 13 – 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 2006.

ENTITY	% SHARE	2006 BUDGET SHARE
Latty Village	2.21	\$ 1,282
Paulding Village	44.71	21,909
Broughton Village	1.07	496
Emerald Township	15.09	7,340
Jackson Township	17.15	8,929
Paulding Township	19.77	12,484
Totals	100.00	\$52,440.

**VILLAGE OF LATTY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

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 Contributions After Deductions	Annual Maintenance Fee	
Paulding EMS	16.40%		\$ 820	
Paulding Village	12.20%		610	
PCFA	71.40%		3,570	
Latty Village		2.21%		\$ 87
Broughton Village		1.07%		34
Paulding Village		44.71%		1,490
Emerald Twp		15.09%		503
Jackson Twp		17.15%		607
Paulding Twp		19.77%		849
Totals	100.00%	100.00%	\$ 5,000	\$3,570



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, 2006, 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-002.

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. We believe the significant deficiency described above is not a material weakness.

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 or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We also noted certain noncompliance or other matters not required to be included 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, 2006

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Revised Code § 5705.36 (A) (2) states upon a determination by the fiscal officer of a subdivision that revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the Commission, and if the Commission determines the fiscal officer's certification is reasonable, the Commission shall certify an amended official certificate reflecting the deficiency or excess.

Ohio Revised Code § 5705.36 (A) (4) states upon a determination by the fiscal officer of a subdivision that revenue to be collected by the subdivision will be less than the amount included in an official certificate and the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the Commission, and the Commission shall certify an amended certificate reflecting the deficiency.

Additionally, Ohio Revised Code § 5705.39, states in part the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures as certified by the budget commission or in case of appeal, by the board of tax appeals.

The actual amounts available for appropriations were less than the amounts estimated in the official certificate and the current level of appropriations in the following funds:

	<u>Actual Resources</u>	<u>Estimated Resources</u>	<u>Total Appropriations</u>
Ohio Public Works Grant Fund		\$57,600	\$57,600
Ohio Waste Water Planning Authority			
Waste Water Planning Fund		8,950	8,950

When estimated resources are allowed to remain higher than actual available resources it increases the possibility that appropriations may be unrealistically inflated which could result in deficit spending.

The Village Clerk-Treasurer should have requested an amended certificate of estimated resources from the commission which would have reduced the estimated resources to the level of the actual resources available for appropriations. Appropriations in these funds should have also been reduced to the level of the actual resources available for appropriations. There were no expenditures for the funds listed above.

We recommend that Village Clerk-Treasurer compare actual revenues with estimated revenues during the year and make changes when necessary.

Officials Response: Management understands the citation and will implement budgetary review procedures in an attempt to strengthen the budgetary process.

FINDING NUMBER 2006-002

Financial Reporting – Significant Deficiency

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 error was noted:

Proceeds from the sale of assets attributed to the General Fund in the amount of \$10,000 was presented as miscellaneous revenues instead of sale of fixed assets on the Government-Wide Statement of Activities and the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance.

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, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Finding for Recovery against Councilman Bird in amount of \$150 for overpayment of wages.	Yes	
2005-002	Finding for Recovery repaid under audit against Councilman Pease in amount of \$300 for overpayment of wages.	Yes	



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**