

***LETART TOWNSHIP***

**MEIGS COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2005 and 2004**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Letart Township  
23238 Hill Road  
Racine, Ohio 45771

We have reviewed the *Report of Independent Accountants* of Letart Township, Meigs County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Letart Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

February 8, 2007

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**LETART TOWNSHIP**  
**MEIGS COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2005 and 2004**

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**Charles E. Harris & Associates, Inc.**  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Letart Township  
Meigs County  
23238 Hill Road  
Racine, Ohio 45771

To the Board of Trustees:

We have audited the accompanying financial statements of Letart Township, Meigs County, Ohio (Township) as and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion 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. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although, we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Letart Township, Meigs County as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006 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, 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 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.

***Charles E. Harris & Associates, Inc.***  
December 21, 2006

**LETART TOWNSHIP  
MEIGS COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2005**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Local Taxes	\$ 24,848	\$ 70,352	\$ 95,200
Licenses, Permits and Fees	-	8,845	8,845
Intergovernmental	46,337	122,713	169,050
Earnings on Investments	362	64	426
Other Revenue	21	4,044	4,065
<b>Total Receipts</b>	<b>71,568</b>	<b>206,018</b>	<b>277,586</b>
<b>Disbursements:</b>			
General Government	51,533	10,222	61,755
Public Safety	-	72,825	72,825
Public Works	-	105,110	105,110
Health	-	32,204	32,204
Capital Outlay	-	1,600	1,600
Debt Service:			
Retirement of Principal	4,000	-	4,000
Interest and Fiscal Charges	28	-	28
<b>Total Disbursements</b>	<b>55,561</b>	<b>221,961</b>	<b>277,522</b>
<b>Receipts Over/(Under) Cash Disbursements</b>	<b>16,007</b>	<b>(15,943)</b>	<b>64</b>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers- In	-	500	500
Transfers- Out	(500)	-	(500)
Advances- In	-	500	500
Advances- Out	(500)	-	(500)
Proceeds of Notes	4,000	16,000	20,000
Other Financing Sources	732	5,670	6,402
<b>Total Other Financing Receipts/(Disbursements):</b>	<b>3,732</b>	<b>22,670</b>	<b>26,402</b>
<b>Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</b>	<b>19,739</b>	<b>6,727</b>	<b>26,466</b>
<b>Fund Balance, January 1, 2005</b>	<b>31</b>	<b>25,558</b>	<b>25,589</b>
<b>Fund Balance, December 31, 2005</b>	<b>\$ 19,770</b>	<b>\$ 32,285</b>	<b>\$ 52,055</b>
<b>Reserve for Encumbrances, December 31, 2005</b>	<b>\$ 955</b>	<b>\$ 4,743</b>	<b>\$ 5,698</b>

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

**LETART TOWNSHIP  
MEIGS COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2004**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Local Taxes	\$ 24,150	\$ 74,456	\$ 98,606
Licenses, Permits, and Fees	-	6,425	6,425
Intergovernmental	25,464	117,291	142,755
Earnings on Investments	255	47	302
Other Revenue	-	3,581	3,581
<b>Total Receipts</b>	<b>49,869</b>	<b>201,800</b>	<b>251,669</b>
<b>Disbursements:</b>			
General Government	48,407	2,292	50,699
Public Safety	-	72,097	72,097
Public Works	-	118,057	118,057
Health	-	39,854	39,854
Debt Service:			
Retirement of Principal	6,000	16,000	22,000
Interest and Fiscal Charges	-	405	405
<b>Total Disbursements</b>	<b>54,407</b>	<b>248,705</b>	<b>303,112</b>
<b>Receipts Over/(Under) Disbursements</b>	<b>(4,538)</b>	<b>(46,905)</b>	<b>(51,443)</b>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers- In	-	843	843
Transfers- Out	(843)	-	(843)
Advances- In	420	420	840
Advances- Out	(420)	(420)	(840)
Proceeds of Note	-	22,000	22,000
Other Financing Sources	2,067	7,251	9,318
<b>Total Other Financing Receipts/(Disbursements):</b>	<b>1,224</b>	<b>30,094</b>	<b>31,318</b>
<b>Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</b>	<b>(3,314)</b>	<b>(16,811)</b>	<b>(20,125)</b>
<b>Fund Balance, January 1, 2004</b>	<b>3,346</b>	<b>42,368</b>	<b>45,714</b>
<b>Fund Balance, December 31, 2004</b>	<b>\$ 32</b>	<b>\$ 25,557</b>	<b>\$ 25,589</b>
<b>Reserve for Encumbrances, December 31, 2004</b>	<b>\$ 1,072</b>	<b>\$ 4,779</b>	<b>\$ 5,851</b>

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

**LETART TOWNSHIP  
MEIGS COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCES - NON-EXPENDABLE TRUST FUND  
For the Years Ended December 31, 2005 & 2004**

	<u>2005 Non-Expendable Trust Funds</u>	<u>2004 Non-Expendable Trust Funds</u>
<b>Receipts:</b>		
Earnings on Investments	-	\$ 3,553
<b>Total Receipts</b>	-	3,553
<b>Disbursements:</b>		
Salaries	-	2,257
Supplies and Materials	-	2,155
Capital Outlay	-	706
<b>Total Disbursements</b>	-	5,118
<b>Receipts Over/(Under) Cash Disbursements</b>	-	(1,565)
<b>Fund Balance, January 1</b>	<u>\$ 46,507</u>	<u>48,072</u>
<b>Fund Balance, December 31</b>	<u>\$ 46,507</u>	<u>\$ 46,507</u>

See accompanying Notes to the Financial Statements.

**LETART TOWNSHIP  
MEIGS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

Letart Township, Meigs County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees and a publicly-elected Clerk. The Township provides road and bridge maintenance (public works), cemetery maintenance (health), and fire protection (public safety) and emergency medical services. The Township contracts with the Village of Racine to provide fire protection and emergency medical services.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

**B. BASIS OF ACCOUNTING**

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

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

**C. CASH**

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. FUND ACCOUNTING**

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Fund Types:**

**General Fund:** The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

LETART TOWNSHIP  
MEIGS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** – (continued)

**Special Revenue Funds:** These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township has the following significant Special Revenue funds:

- *Gasoline Tax Fund* – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.
- *Road and Bridge Fund* – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**Fiduciary Funds**

Trust Funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Township is acting in an agency capacity are classified as agency funds. The Township had the following significant Fiduciary Funds:

- *Non-Expendable Trust Fund*- This fund is set up to provide general maintenance to the Township cemetery.

E. **BUDGETARY PROCESS**

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. **Estimated Resources**

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The county budget commission approves the certificate of estimated resources.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

**LETART TOWNSHIP  
MEIGS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**E. BUDGETARY PROCESS - (continued)**

**1. Estimated Resources**

On or about January 1, the Clerk sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2004 and 2005. However, those fund balances are available for appropriation.

**2. Appropriations**

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**3. Encumbrances**

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Township's legal level of control is the fund, function and object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are cancelled at year-end.

**F. PROPERTY, PLANT AND EQUIPMENT**

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

**G. ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**LETART TOWNSHIP  
MEIGS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

**2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

	2004	2005
Demand Deposits	\$ 26,379	\$ 52,845
Savings Account-Cemetery Perpetual Care	45,717	45,717
Total Deposits and Investments	\$ 72,096	\$ 98,562

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

**3. PROPERTY TAXES**

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2004.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

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

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

**LETART TOWNSHIP  
MEIGS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 60,203	\$ 57,016	\$ 3,187
Special Revenue	238,269	226,704	11,565
Non -Expendable Trust	4,000	-	4,000
<b>Total</b>	<b>\$ 302,472</b>	<b>\$ 283,720</b>	<b>\$ 18,752</b>

<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 57,263	\$ 56,322	\$ 941
Special Revenue	263,333	253,484	9,849
Non- Expendable Trust	7,575	5,118	2,457
<b>Total</b>	<b>\$ 328,171</b>	<b>\$ 314,924</b>	<b>\$ 13,247</b>

<u>2005 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 75,206	\$ 76,300	\$ 1,094
Special Revenue	227,468	228,188	720
Non- Expendable Trust	2,500	-	(2,500)
<b>Total</b>	<b>\$ 305,174</b>	<b>\$ 304,488</b>	<b>\$ (686)</b>

<u>2004 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 51,449	\$ 51,936	\$ 487
Special Revenue	216,693	231,894	15,201
Non- Expendable Trust	3,963	3,553	(410)
<b>Total</b>	<b>\$ 272,105</b>	<b>\$ 287,383</b>	<b>\$ 15,278</b>

Advances in and out are not included in the above figures, since they are not required to be budgeted.

**LETART TOWNSHIP  
MEIGS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

**5. RETIREMENT SYSTEM**

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their gross pay while the Township contributed an amount equal to 13.55% of covered payroll. The Township paid all required contributions through 2005.

**6. RISK MANAGEMENT**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage - OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage - Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three years.

**LETART TOWNSHIP  
MEIGS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

**6. RISK MANAGEMENT - (Continued)**

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position - OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 30,485,638	\$ 28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$ 18,141,062</u>	<u>\$ 17,046,241</u>
<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 9,177,796	\$ 7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$ 7,771,765</u>	<u>\$ 7,045,167</u>

The casualty coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$10,626.

The Township contracts with Burnham and Flower Insurance Group for health insurance coverage.

**LETART TOWNSHIP  
MEIGS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

**7. DEBT**

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2005 Truck Note	\$ 16,000	4.60%

The Township obtained a truck loan on May 9, 2005. The Township is required to make five annual payments of \$3,665 with the final payment due on April 10, 2010.

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

	<u>Truck Loan</u>	
Year ending December 31:		
2006	\$	3,665
2007		3,665
2008		3,665
2009		3,665
2010		<u>3,665</u>
 Total	 \$	 <u>18,325</u>

**8. FUND TRANSFERS**

In 2005, the Township transferred \$500 from the General Fund to the Road and Bridge Fund for subsidy of normal operations.

In 2004, the Township transferred \$843 from the General Fund to the Cemetery Special Levy Fund for subsidy of normal operations of the cemetery.

All applicable Ohio Revised Code compliance requirements were not met. The Township's Board of Trustees did not approve the transfers.

**9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

**10. LEGAL COMPLIANCE**

Contrary to Ohio Revised Code Section 5705.41 (D), certain expenditures were not certified prior to the commitment or obligation being incurred. Also, contrary to Ohio Revised Code Section 5705.40, the Township did not get budgetary amendments approved by the Trustees or the County Auditor.

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**Charles E. Harris & Associates, Inc.**  
*Certified Public Accountants*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Letart Township  
Meigs County  
23238 Hill Road  
Racine, Ohio 45771

To the Board of Trustees:

We have audited the accompanying financial statements of Letart Township, Meigs County, Ohio (the "Township") as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated December 21, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-LTMC-02 through 2005-LTMC-04.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Township in a separate letter dated December 21, 2006.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material affect on 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-LTMC-01 and 2005-LTMC-03.

This report is intended solely for the information and use of management and the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Charles E. Harris and Associates, Inc.*  
December 21, 2006

LETART TOWNSHIP  
MEIGS COUNTY

SCHEDULE OF FINDINGS  
December 31, 2005 and 2004

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

**FINDING NUMBER 2005-LTMC -01 – Non-compliance Citation**

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Township may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not make the proper certification of funds in all instances. Twenty-four of 60 selections tested during the audit period had the certifications after the obligation date. We recommend that the Township institute the use of purchase orders for any expenditure to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a "Then and Now" certificate.

Management indicated that they will attempt to certify funds prior to the purchase.

**LETART TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED  
December 31, 2005 and 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED</b>
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**FINDING NUMBER 2005-LTMC –02 – Material Weakness**

**Bank Reconciliation**

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. For January 1, 2004 through December 31, 2005, the Township did not resolve various differences between the adjusted bank balance and the balance reflected within the Township's accounting records. The annual reports for these years were filed with the Auditor of State with these unresolved differences. These amounts were adjusted in the financial statements.

Without complete and accurate monthly bank reconciliations, the Township's internal control is weakened, which could hinder the detection of errors or irregularities by the Township's management in a timely manner.

The Township should perform and complete monthly bank reconciliations in a timely manner. Also, a copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month. The Township Trustees should sign and date the bank reconciliations to indicate that they have been reviewed and approved.

Management indicated that they will do a more complete bank reconciliation.

**FINDING NUMBER 2005-LTMC –03 – Non-compliance Citation and Material Weakness**

**Appropriations**

Ohio Revised Code 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provision of the law as used in the making original appropriations.

The Township Clerk posted multiple appropriation amendments throughout the period, certain of which were neither approved by the Board of Trustees nor certified by the County Auditor.

The Township Clerk provided the appropriation amendments to the Board of Trustees. However, there was no documentation in the minutes indicating if the Board of Trustees approved the amendments.

We recommend that the Board of Trustees review budgetary procedures for amending appropriations, document the Board of Trustees' approval of all appropriation amendments in the minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Township Clerk should post these amendments only after the Board of Trustees' approval and the County Auditor's certification have been obtained.

Management indicated that they will make the appropriation changes and include the amended numbers in the minutes.

**LETART TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS - CONTINUED  
December 31, 2005 and 2004**

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

**FINDING NUMBER 2005-LTMC -04 – Material Weakness**

**Budgeted Receipts**

During 2005 and 2004, the Township Clerk did not accurately post all budgeted receipts to the accounting system. Variances existed between the amounts on the certificates of estimated resources and the amounts posted to the accounting system as follows:

For the Year Ended December 31, 2004:

Fund	Budgeted Receipts per UAN System	Budgeted Receipts per the Final Certificate of Estimated Resources	Variance
General Fund	\$ 20,734	\$ 51,449	\$ (30,715)
Motor Vehicle License Tax Fund	3,378	13,922	(10,544)
Gasoline Tax Fund	20,084	79,049	(58,965)
Road and Bridge Fund	31,607	54,171	(22,564)
Cemetery Fund	7,960	30,024	(22,064)
Cemetery Sale of Lots Fund	28,190	7,960	20,230
Fire Levy Fund	35,953	36,770	(817)
FEMA Fund	2,000	-	2,000
Nonexpendable Trust Fund	5,400	3,963	1,437

For the Year Ended December 31, 2005:

Fund	Budgeted Receipts per UAN System	Budgeted Receipts per the Final Certificate of Estimated Resources	Variance
General Fund	\$ 42,126	\$ 75,206	\$ (33,080)
Motor Vehicle License Tax Fund	10,100	10,118	(18)
Gasoline Tax	85,000	85,164	(164)
Road and Bridge Fund	46,921	51,960	(5,039)
Cemetery Fund	4,500	37,769	(33,269)
Cemetery Sale of Lots Fund	28,175	4,500	23,675
Fire Levy Fund	36,502	37,957	(1,455)

We recommend that the Township post all budgeted receipts into the accounting system. This will allow the Clerk and the Trustees to better monitor budgetary activity.

Management indicated that they will update UAN System to match amended certificates.

**LETART TOWNSHIP  
MEIGS COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2005 and 2004**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2003- 001	Ohio Revised Code Section 505.24-Two trustees were paid the improper wage rate.	Yes	Fully Corrected
2003-002	Ohio Revised Code Section 4111.03-The Improper overtime rate was paid to Charles Wolfe, Jr.	Yes	Fully Corrected
2003-003	Ohio Revised Code Section 5705.41 (D)- Expenditures were not properly certified.	No	Repeated as 2005-LTMC-01
2003-004	Material Weakness- Bank accounts were not properly reconciled	No	Repeated as 2005-LTMC-02



**Mary Taylor, CPA**  
Auditor of State

**LETART TOWNSHIP**

**MEIGS 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  
FEBRUARY 22, 2007**