



OHIO AUDITOR OF STATE
KEITH FABER



**LETART TOWNSHIP
MEIGS COUNTY
DECEMBER 31, 2017 AND 2016**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Letart Township
Meigs County
49115 Manuel Road
Racine, Ohio 45771

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Letart Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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www.ohioauditor.gov

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The Township did not adjust the 2013 or 2012 financial statements to reflect the finding for adjustment.

Contrary to the Ohio Revised Code, the Township allocated the trustees' salaries to restricted funds without certifying hours spent providing these services to the Township. The Township has declined to adjust its financial statements or accounting records. Had these expenditures been debited to the General Fund, the net effect would be a decrease in the General Fund cash balance at December 31, 2013 of \$34,648 and increases in the Gasoline Tax and the Road and Bridge Funds cash balances of \$24,702 and \$9,946, respectively.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Letart Township, Meigs County, Ohio as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 23, 2019

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Letart Township

Meigs County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2017

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$29,165	\$79,050	\$0	\$108,215
Charges for Services	0	17,200	0	17,200
Licenses, Permits and Fees	0	694	0	694
Intergovernmental	24,271	148,245	0	172,516
Earnings on Investments	252	21	3	276
Miscellaneous	5,678	1,025	0	6,703
<i>Total Cash Receipts</i>	<u>59,366</u>	<u>246,235</u>	<u>3</u>	<u>305,604</u>
Cash Disbursements				
Current:				
General Government	46,911	10,994	0	57,905
Public Safety	0	26,480	0	26,480
Public Works	0	134,056	0	134,056
Health	0	47,552	500	48,052
Capital Outlay	0	74,095	0	74,095
Debt Service:				
Principal Retirement	10,105	29,030	0	39,135
Interest and Fiscal Charges	447	2,041	0	2,488
<i>Total Cash Disbursements</i>	<u>57,463</u>	<u>324,248</u>	<u>500</u>	<u>382,211</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,903</u>	<u>(78,013)</u>	<u>(497)</u>	<u>(76,607)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	0	70,920	0	70,920
Transfers In	0	200	0	200
Transfers Out	(200)	0	0	(200)
Other Financing Sources	854	6,437	0	7,291
<i>Total Other Financing Receipts (Disbursements)</i>	<u>654</u>	<u>77,557</u>	<u>0</u>	<u>78,211</u>
<i>Net Change in Fund Cash Balances</i>	2,557	(456)	(497)	1,604
<i>Fund Cash Balances, January 1</i>	<u>14,924</u>	<u>113,235</u>	<u>47,518</u>	<u>175,677</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	43,357	43,357
Restricted	0	61,729	3,664	65,393
Committed	0	51,050	0	51,050
Unassigned (Deficit)	17,481	0	0	17,481
<i>Fund Cash Balances, December 31</i>	<u>\$17,481</u>	<u>\$112,779</u>	<u>\$47,021</u>	<u>\$177,281</u>

See accompanying notes to the basic financial statements.

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Letart Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Letart Township, Meigs County (the Township), as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road and bridge maintenance, and cemetery maintenance. The Township contracts with the Village of Racine to provide fire protection services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund – The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Letart Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Letart Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds for the year ended December 31, 2017.

Letart Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,455	\$60,220	\$15,765
Special Revenue	177,473	323,792	146,319
Permanent	0	3	3
Total	\$221,928	\$384,015	\$162,087

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$57,663	(\$57,663)
Special Revenue	0	324,248	(324,248)
Permanent	0	500	(500)
Total	\$0	\$382,411	(\$382,411)

Note 5 – Deposits

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

	2017
Demand deposits	\$133,924
Certificates of deposit	43,357
Total deposits	177,281

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Property Taxes

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

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

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

Letart Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Risk Management

Risk Pool Membership

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

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$2,000.

Letart Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Risk Management (Continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>2017 Contributions to OTARMA</u>
\$4,831

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Tractor Note	\$16,027	2.95%
Building Demolition Note	\$6,721	4.00%
Backhoe Loan	64,299	3.00%
Total	\$87,047	

Letart Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Debt (Continued)

The Township issued a bank note to finance the purchase of a new tractor for Township road and cemetery maintenance. The Township’s taxing authority collateralized the note.

During 2016, the Township issued a bank note to finance the demolition of the Letart school building. This note is uncollateralized.

During 2017, the Township issued a bank loan to finance the purchase of a new backhoe for the Township cemetery use. The equipment purchased collateralized the loan.

Amortization

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

Year Ending December 31:	Tractor Note	Building Demolition Note	Backhoe Loan
2018	\$15,055	\$8,153	\$15,300
2019	2,509		15,300
2020			15,300
2021			15,300
2022			7,650
Total	\$17,564	\$8,153	\$68,850

Note 11 – Related Party Transactions

A Township Trustee's nephew owns a company which the Township used for hauling stone during the year. The Township paid \$710 for this service. The Township Trustee signed and approved all payments related to his nephew’s company.

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Letart Township
Meigs County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$28,366	\$77,171	\$0	\$105,537
Charges for Services	0	21,325	0	21,325
Intergovernmental	26,085	114,262	0	140,347
Earnings on Investments	409	0	0	409
Miscellaneous	2,936	24,217	0	27,153
<i>Total Cash Receipts</i>	<u>57,796</u>	<u>236,975</u>	<u>0</u>	<u>294,771</u>
Cash Disbursements				
Current:				
General Government	89,037	11,150	0	100,187
Public Safety	0	32,959	0	32,959
Public Works	0	143,432	0	143,432
Health	0	58,709	0	58,709
Debt Service:				
Principal Retirement	7,746	13,746	0	21,492
Interest and Fiscal Charges	735	1,130	0	1,865
<i>Total Cash Disbursements</i>	<u>97,518</u>	<u>261,126</u>	<u>0</u>	<u>358,644</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(39,722)</u>	<u>(24,151)</u>	<u>0</u>	<u>(63,873)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	31,290	0	0	31,290
Other Financing Sources	2,116	0	0	2,116
<i>Total Other Financing Receipts (Disbursements)</i>	<u>33,406</u>	<u>0</u>	<u>0</u>	<u>33,406</u>
<i>Net Change in Fund Cash Balances</i>	(6,316)	(24,151)	0	(30,467)
<i>Fund Cash Balances, January 1</i>	<u>21,240</u>	<u>137,386</u>	<u>47,518</u>	<u>206,144</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	43,357	43,357
Restricted	0	93,601	4,161	97,762
Committed	0	19,634	0	19,634
Unassigned (Deficit)	14,924	0	0	14,924
<i>Fund Cash Balances, December 31</i>	<u>\$14,924</u>	<u>\$113,235</u>	<u>\$47,518</u>	<u>\$175,677</u>

See accompanying notes to the basic financial statements.

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Letart Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

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

Road and Bridge Fund The road and bridge fund accounts for and reports the receipt of property tax money for maintenance and repair of roads and bridges within the Township.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund – The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Letart Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Letart Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

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

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds for the year ended December 31, 2016.

Letart Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,713	\$91,202	\$46,489
Special Revenue	176,082	236,975	60,893
Permanent	0	0	0
Total	\$220,795	\$328,177	\$107,382

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$97,518	(\$97,518)
Special Revenue	0	261,126	(261,126)
Permanent	0	0	0
Total	\$0	\$358,644	(\$358,644)

Note 5 – Deposits

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

	2016
Demand deposits	\$132,320
Certificates of deposit	43,357
Total deposits	175,677

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Property Taxes

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

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

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

Letart Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Risk Management

Risk Pool Membership

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

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township’s share of these unpaid claims collectible in future years is approximately \$2,000.

Letart Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Risk Management

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>2016 Contributions to OTARMA</u>
\$4,804

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 2 percent during calendar year 2016.

Note 10 – Debt

Debt outstanding at December 31, 2016, was as follows:

	Principal	Interest Rate
Tractor Note	\$31,563	2.95%
Building Demolition Note	23,700	4.00%
Total	\$55,263	

Letart Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Debt (Continued)

The Township issued a bank note to finance the purchase of a new tractor for Township road and cemetery maintenance. The Township’s taxing authority collateralized the note.

During 2016, the Township issued a bank note to finance the demolition of the Letart school building. This note is uncollateralized.

Amortization

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

Year Ending December 31:	Tractor Note	Building Demolition Note
2017	\$15,055	\$16,306
2018	15,055	8,153
2019	2,509	
Total	<u>\$32,619</u>	<u>\$24,459</u>

Note 11 – Related Party Transactions

A Township Trustee's nephew owns a company which the Township used for hauling stone during the year. The Township paid \$15,375 for this service. The Township Trustee signed and approved all payments related to his nephew’s company.

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OHIO AUDITOR OF STATE KEITH FABER



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

Letart Township
Meigs County
49115 Manuel Road
Racine, Ohio 45771

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Letart Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated January 23, 2019 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We issued a qualified opinion on the General and Special Revenue Funds because the Township declined to fully adjust its financial statements or accounting records for the audit findings. These adjustments result in a material misstatement of General Fund and of the Gasoline Tax Fund and Road and Bridge Fund (Special Revenue Funds) cash balances as of December 31, 2013 and 2012.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2017-004 through 2017-006 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2017-001 through 2017-003.

Entity's Responses to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 23, 2019

**LETART TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code Chapter 133 authorizes certain methods by which subdivisions may incur debt.

Ohio Rev. Code § 133.22 states that a subdivision may issue anticipatory-securities if it meets the requirements outlined in the statute.

Ohio Rev. Code § 133.10 permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.

Ohio Rev. Code § 133.15 states that a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct.

Ohio Rev. Code § 133.18 states that the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

During 2017 and 2016, the Township made principal payments on outstanding promissory notes to Home National Bank in the amount of \$32,515 and \$21,493, respectively. The promissory notes were used by the Township to help fund the purchase of a tractor and mower and to fund the demolition of a building. Further, during 2017 the Township made principal payments on outstanding promissory notes to KS State Bank in the amount of \$6,620. The promissory note was used by the Township to help fund the purchase of a backhoe.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. Without a statutory provision authorizing this method for incurring debt, the Township was not permitted to use such a method. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions.

The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

Officials' Response: The Township intends to consult with the Meigs County Prosecutor on purchases of equipment like this. KS Bank is a leasing entity for government business and is recommend by the government to utilize when leasing/renting with the intent to purchase equipment.

FINDING NUMBER 2017-002

Noncompliance

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

**LETART TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-002 (Continued)

Noncompliance – Ohio Rev. Code § 5705.38(A) (Continued)

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

The Trustees did not approve appropriations for 2016 and no appropriations resolution was filed with the County Auditor. The minutes documented approval of appropriations for 2017, however, there were no dollar amounts in total or by fund documented in the minutes and no appropriation resolution was filed with the County Auditor. Appropriations were posted to the UAN accounting system but since amounts can't be supported as approved, appropriations for both 2016 and 2017 will be considered to be \$0. As a result, all expenditures in 2017 and 2016 were made absent of the legal appropriation authority.

The Trustees should adopt an appropriation measure on or about the first day of each year. The approval should be documented in the minute record of the Township. Also, a copy of the appropriation resolution or documentation of the dollar amounts by fund, function, and object should be included in the minute record. In addition, the approved appropriation resolution should be filed with the County Auditor.

Officials' Response: The Township intends to adopt temporary appropriation measures at the Organizational Meeting held the last week of December as was done December 27, 2018. The actual packet will be included in the meetings minutes. The 2019 Temporary Appropriations Measures will be revised at the January 21, 2019 meeting at 5:00 p.m. in the Letart Township Building in Racine, Ohio because of the funding changes resulting from the 2016-2017 Audit. The revised approved Letart Township Trustees Appropriation Resolution will be filed with the Meigs County Auditor.

FINDING NUMBER 2017-003

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) states, in part, that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrants shall be issued in payment of any amount due thereon. 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 the expenditure of money. The main exceptions are: "then and now" certificates, blank certificates, and super blanket certificates, which are provided for in § 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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.

**LETART TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-003 (Continued)

Noncompliance – Ohio Rev. Code § 5705.41(D)(1) (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current 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. Certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional 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.

Eighty-three percent (83%) of the obligations tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Due to this, the Township had unrecorded encumbrances totaling \$10,081 at December 31, 2016 and \$13,637 at December 31, 2017, in various funds.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used.

The Fiscal Officer should certify the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that indicate the certification language § 5705.41(D) required to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2017-003 (Continued)

Noncompliance – Ohio Rev. Code § 5705.41(D)(1) (Continued)

Officials’ Response: The Township Fiscal Officer has advised all trustees and workers that all purchases have to be approved by the Fiscal Officer prior to purchase. “Then and now” certification will be used when prior certification is not possible.

**LETART TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

FINDING NUMBER 2017-004

Material Weakness

In our audit engagement letter, as required by AU-C § 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C § 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

At December 31, 2016, estimated receipts as approved by the Budget Commission did not agree to the Township's UAN accounting system as follows:

Fund	Estimated Receipts, as Approved	Estimated Receipts, per the System	Variance
General Fund	\$44,713	\$75,853	(\$31,140)
Motor Vehicle License Tax	8,722	15,253	(6,531)
Road and Bridge	34,153	32,326	1,827
Cemetery	5,629	15,500	(9,871)
Fire Levy	25,467	24,486	981

At December 31, 2017, estimated receipts as approved by the Budget Commission did not agree to the Township's UAN accounting system as follows:

Fund	Estimated Receipts, as Approved	Estimated Receipts, per the System	Variance
Road and Bridge	\$33,596	\$64,046	(\$30,450)
Cemetery	0	257	(257)
Cemetery Levy	16,166	15,909	257
Fire Levy	25,077	24,100	977

**LETART TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-004 (Continued)

Material Weakness (Continued)

For the years ended December 31, 2016 and December 31, 2017, appropriations were not approved by the Township Trustees, however, appropriations were entered into the UAN system for all funds. Therefore, appropriations in the UAN accounting system did not agree to approved appropriations for all funds.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. No appropriations were approved by the Township Trustees but amounts were posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) were not properly posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the notes to the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response: The Township intends to post in a timely manner, estimated resources as certified by the Budget Commission and approved by the Board, so there are no inaccurate reporting of budgetary information in the financial statements. The Board will receive Budget versus Actual Reports to aid in ensuring amended resources and appropriations are posted properly.

FINDING NUMBER 2017-005

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board and/or other administrator are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared or reviewed each month of 2017 and 2016. Failure to reconcile monthly increases the possibility that the Township will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements.

**LETART TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-005 (Continued)

Material Weakness (Continued)

Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response: The Township intends to have the Fiscal Officer provide monthly bank reconciliations and investigate, document and correct cash reconciliations. The Board will review the monthly cash reconciliations.

FINDING NUMBER 2017-006

Material Weakness

In our audit engagement letter, as required by AU-C § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility by the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C § 210 paragraphs .A14 and .A16

The following errors were noted in the financial statements that required audit adjustment or reclassification:

For the year ended December 31, 2016:

- General Fund interest receipts were understated \$141 due to being unrecorded.
- General Fund beginning balance was overstated \$366; Motor Vehicle License Tax Fund beginning balance was overstated \$123; Gasoline Tax fund beginning balance was overstated \$420; Road & Bridge Fund beginning balance was overstated \$324; Cemetery Fund beginning balance was overstated \$118; and Cemetery Levy Fund beginning balance was overstated \$547 due to the Township posting a fund balance adjustment in error.
- General Fund general government disbursements were overstated \$163; Motor Vehicle License Tax Fund public works disbursements were overstated \$31; Gasoline Tax Fund public works disbursements were overstated \$162; Road & Bridge Fund public works disbursements were overstated \$293; Cemetery Fund health disbursements were overstated \$128; and Cemetery Levy Fund health disbursements were overstated \$44 due to recording disbursements in UAN for greater than the amounts that cleared the bank.
- General Fund intergovernmental receipts were understated \$50; Cemetery Levy Fund intergovernmental receipts were understated \$9; Road & Bridge Fund intergovernmental receipts were understated \$60; and Fire Levy Fund intergovernmental receipts were understated \$33 due to not recording an intergovernmental receipt.
- Cemetery Fund miscellaneous receipts were understated \$5 due to not recording a donation receipt.

**LETART TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-006 (Continued)

Material Weakness (Continued)

- Cemetery Fund health disbursements were overstated \$500 due to a current year check being voided in the subsequent period.
- General Fund miscellaneous receipts were overstated \$307 and Motor Vehicle License Tax Fund intergovernmental receipts were understated \$307 due to incorrectly posting a Motor Vehicle License Tax Fund receipt.
- General Fund miscellaneous receipts were overstated, \$2,742, intergovernmental receipts were overstated \$1,242 and taxes receipts were overstated \$197; Cemetery Levy Fund intergovernmental receipts were understated \$354; Fire Levy intergovernmental receipts were understated \$1,342; and Road & Bridge Fund intergovernmental receipts were understated \$2,485 due to incorrectly posting intergovernmental receipts.
- General Fund miscellaneous receipts were overstated \$1,925; Cemetery Fund miscellaneous receipts were overstated \$6,600; Motor Vehicle License Tax Fund miscellaneous receipts were understated \$1862; Gasoline Tax Fund miscellaneous receipts were understated \$666; Road & Bridge Fund miscellaneous receipts were understated \$4,545; and Cemetery Levy Fund miscellaneous receipts were understated \$1,452 due to posting reimbursement of disbursements to incorrect funds.
- General Fund intergovernmental receipts were understated \$5,234, taxes receipts were overstated \$3,875 and miscellaneous receipts were overstated \$1,359; Cemetery Levy Fund intergovernmental receipts were understated \$6,112 and taxes receipts were overstated \$6,112; Fire Levy Fund intergovernmental receipts were understated \$6,436 and taxes receipts were overstated \$6,436; and Road & Bridge Fund intergovernmental receipts were understated \$8,040 and taxes receipts were overstated \$8,040 due to incorrectly posting receipts.
- General Fund proceeds of debt were understated \$31,290, interest and fees disbursements were understated \$150 and other financing sources were overstated \$31,140 due to incorrectly recording new debt.
- General Fund principal disbursement were understated \$1,211 and interest disbursements were overstated \$1,211; Gasoline Tax Fund public works disbursements were overstated \$10,545, principal disbursements were understated 9,738, and interest disbursements were understated \$807; Road & Bridge Fund public works disbursements were overstated \$2,512, capital outlay disbursements were overstated \$1,319, principal disbursements were understated \$3,543, and interest disbursements were understated \$288; Cemetery Fund capital outlay disbursements were overstated \$500, principal disbursements were understated \$465 and interest disbursements were understated \$35 due to debt payments being posted incorrectly.
- Motor Vehicle License Tax Fund intergovernmental receipts were understated \$9,419 and licenses and fees receipts were overstated \$9,419 due to incorrectly posting receipts.
- Cemetery Fund charges for services receipts were understated \$21,235 and licenses and fees receipts were overstated \$21,325 due to incorrectly posting cemetery fees.
- Gasoline Tax Fund public works disbursements were understated \$20,753 and public safety disbursements were overstated \$20,753; Road & Bridge Fund public works disbursements were understated \$2,472, capital outlay disbursements were overstated \$281, public safety disbursements were overstated \$469, and health disbursements were overstated \$1,722; Cemetery Fund health disbursements were understated \$8,854, capital outlay disbursements were overstated \$7,000 and human services disbursements were overstated \$1,854; Cemetery Levy Fund health disbursements were understated \$1,968 and capital outlay disbursements were overstated \$1,968 due to incorrectly posting disbursements.

**LETART TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-006 (Continued)

Material Weakness (Continued)

- Motor Vehicle License Tax Fund assigned fund balance was overstated \$2,245 and restricted fund balance was understated \$2,245; Gasoline Tax Fund assigned fund balance was overstated \$21,670 and restricted fund balance was understated \$21,670; Road & Bridge Fund assigned fund balance was overstated \$12,575 and committed fund balance was understated \$12,575; Cemetery Fund assigned fund balance was overstated \$42,997 and restricted fund balance was understated \$42,997; Cemetery Levy Fund assigned fund balance was overstated \$18,967 and restricted fund balance was understated \$18,967; Fire Levy Fund assigned fund balance was overstated \$8,635 and restricted fund balance was understated \$8,635; and Permanent Fund non-spendable fund balance was overstated \$4,161 and restricted fund balance was understated \$4,161 due to fund balances not being reported in accordance with GASB 54.

For the year ended December 31, 2017:

- General Fund interest receipts were understated \$175 due to being unrecorded.
- General Fund general government disbursements were understated \$37, Motor Vehicle License Tax Fund general government disbursements were understated \$17; Road & Bridge Fund general government disbursements were understated \$41 and public works disbursements were understated \$41; Cemetery Fund health disbursements were understated \$66, due to either not recording disbursements in UAN at all or recording them for less than the amounts that cleared the bank.
- General Fund intergovernmental receipts were overstated \$285 and Motor Vehicle License Tax Fund intergovernmental receipts were understated \$285 due to incorrectly posting a Motor Vehicle License Tax Fund receipt.
- General Fund miscellaneous receipts were overstated \$4,283 and intergovernmental receipts were understated \$1,451; Cemetery Levy Fund intergovernmental receipts were understated \$228; Fire Levy intergovernmental receipts were understated \$864; and Road & Bridge Fund intergovernmental receipts were understated \$1,740 due to incorrect posting of intergovernmental receipts.
- General Fund intergovernmental receipts were understated \$5,333 and taxes receipts were overstated \$5,333; Cemetery Levy Fund intergovernmental receipts were understated \$5,280 and taxes receipts were overstated \$5,280; Fire Levy Fund intergovernmental receipts were understated \$5,307 and tax receipts were overstated \$5,307; and Road & Bridge Fund intergovernmental receipts were understated \$6,400 and taxes receipts were overstated \$6,400 due to incorrect posting of receipts.
- General Fund principal disbursements were understated \$3,670, interest disbursements were overstated \$2,963 and general government disbursements were overstated \$617; Gasoline Tax Fund public works disbursements were overstated \$6,209, principal disbursements were understated \$5,933, and interest disbursements were understated \$276; Road & Bridge Fund public works disbursements were overstated \$1,280, principal disbursements were understated \$1,219, and interest disbursements were understated \$61; Cemetery Levy Fund capital outlay disbursements were overstated \$7,477, health disbursements were overstated \$6,337, principal disbursements were understated \$12,852 and interest disbursements were understated \$962; and Cemetery Fund capital outlay disbursements were overstated \$2,200, health disbursements were overstated \$6,293, principal disbursements were understated \$9,026, and interest disbursements were understated \$742 due to debt payments being posted incorrectly and one payment that was unrecorded.

**LETART TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

FINDING NUMBER 2017-006 (Continued)

Material Weakness (Continued)

- Cemetery Fund proceeds of debt were understated \$70,920 and capital outlay disbursements were understated \$70,920 due to new debt being unrecorded.
- Cemetery Fund charges for services receipts were understated \$17,200 and licenses and fees receipts were overstated \$17,200 due to incorrectly posting cemetery fees.
- Gasoline Tax Fund public works disbursements were understated \$22,768 and public safety disbursements were overstated \$22,768; and Road & Bridge Fund public works disbursements were understated \$11,561, capital outlay disbursements were overstated \$2,041, public safety disbursements were overstated \$385, and health disbursements were overstated \$9,135 due to incorrectly posting disbursements.
- Motor Vehicle License Tax Fund assigned fund balance was overstated \$366 and restricted fund balance was understated \$366; Gasoline Tax Fund assigned fund balance was overstated \$13,862 and restricted fund balance was understated \$13,862; Road & Bridge Fund assigned fund balance was overstated \$42,333 and committed fund balance was understated \$42,333; Cemetery Fund assigned fund balance was overstated \$25,896 and restricted fund balance was understated \$25,896; Cemetery Levy Fund assigned fund balance was overstated \$9,362 and restricted fund balance was understated \$9,362; Fire Levy Fund assigned fund balance was overstated \$13,637 and restricted fund balance was understated \$13,637; and Permanent Fund non-spendable fund balance was understated \$43,357, assigned fund balance was overstated \$3,665 and restricted fund balance was overstated \$39,692 due to fund balances not being reported in accordance with GASB 54.

The following represents the cumulative effect of the adjustments listed above on the respective fund cash balances as of December 31, 2017:

Fund	Unadjusted December 31, 2017 Fund Balance	Audit Adjustment	Adjusted December 31, 2017 Fund Balance
General Fund	\$26,885	(\$9,404)	\$17,481
Motor Vehicle License Tax	366	2,345	2,711
Gasoline Tax	13,862	408	14,270
Road and Bridge	42,333	8,717	51,050
Cemetery	25,896	(7,926)	17,970
Cemetery Levy	9,362	1,540	10,902
Fire Levy	13,637	2,239	15,876
Permanent	47,021	0	47,021

The audited financial statements reflect the adjustments noted above and the Fiscal Officer posted the adjustments to the accounting system.

The Fiscal Officer should review the Township handbook for guidance on the correct line item to post various receipts and disbursements and also review Auditor of State Bulletin 2011-004 for proper reporting of fund balances to ensure the financial statements are complete and accurate.

Officials' Response: The Fiscal Officer intends to review the Township handbook for correct line item receipts and disbursements and Auditor of State Bulletin 2011-004 to ensure financial statements are complete and accurate.

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**LETART TOWNSHIP
MEIGS COUNTY**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2013-001, 2015-001	Finding for Adjustment/ Noncompliance with Ohio Rev. Code § 505.24(C) for Trustees pay being paid from restricted funds in the absence of certifications. Finding for Adjustment is against the General Fund for \$34,648 in favor of the Gasoline Tax Fund for \$24,702 and the Road and Bridge Fund for \$9,946.	Not Corrected	Correction made after 2014-2015 Audit. Now, all Trustees certify each month by signing certification for pay the time spent. However, adjustment from that period not yet posted.
2015-002	Finding for Recovery Repaid Under Audit/ Noncompliance with Ohio Rev. Code § 117.28 for overpayment of a Trustees salary	Corrected	
2015-003	Noncompliance with Ohio Rev. Code § 505.262(A) for having bank note debt	Not Corrected	Township no longer has bank notes with local banking entity. Township now leases with the option of purchasing equipment at end of lease through government sanctioned entity.
2015-004	Noncompliance with Ohio Rev. Code § 5705.38(A) and Ohio Rev. Code § 5705.41(B) for not approving annual appropriations and disbursements exceeding appropriations.	Not Corrected	Trustees now have an Organization Meeting and approve a list of vendors. Trustees will receive monthly statements of annual appropriations and disbursements exceeding appropriations. If necessary the Fiscal Officer will upon Board recommendation get an amended certificate. FEMA and EMA monies effect the appropriations and because of reimbursements, appropriations change.
2015-005	Noncompliance with Ohio Rev. Code § 5705.41(D) for not properly certifying disbursements prior to obligation	Not Corrected	All Trustees and workers have been advised not to make obligations without prior PO approval. Township will be using "Then and Now" certification when necessary.
2015-006	Noncompliance with Ohio Admin. Code § 117-2-02(C)(1) for approved estimated receipts not agreeing to the UAN system.	Not Corrected	When the State of Ohio or the IRS reimburses funds there is no paperwork stating which accounts are effected, thus creating the inability to distribute funds correctly. Fiscal Officer will endeavor to see that receipts are posted and match the UAN system.

**LETART TOWNSHIP
MEIGS COUNTY**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**DECEMBER 31, 2017 AND 2016
(Continued)**

Finding Number	Finding Summary	Status	Additional Information
2015-007	Noncompliance and Material Weakness for audit adjustments required to the Township's financial statements	Not Corrected	Corrections/adjustments were made according to audit recommendations and statements.
2015-008	Material Weakness for bank reconciliations not being prepared timely or accurately	Not Corrected	Fiscal Officer does bank reconciliation monthly as of 01/01/2018.

OHIO AUDITOR OF STATE KEITH FABER



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 5, 2019**