

Seal Township
Pike County, Ohio

Regular Audit

January 1, 2008, through December 31, 2009
Fiscal Years Audited Under GAGAS: 2009 and 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA

Auditor of State

Board of Trustees
Seal Township
P.O. Box 262
Piketon, Ohio 45661

We have reviewed the *Independent Auditor's Report* of Seal Township, Pike County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2009. 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 *Independent Auditor's Report* 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 *Independent Auditor's Report* 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. Seal 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

September 30, 2010

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Pike County
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Independent Auditor's Report

Board of Trustees
Seal Township
P.O. Box 262
Piketon, Ohio 45661

We have audited the accompanying financial statements of Seal Township, Pike County, (the Township) as of and for the years ended December 31, 2009 and 2008. 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.

Except as discussed in paragraphs 6, 7, and 8, 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 our audits provide a reasonable basis for our opinions.

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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e., major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

During 2007, the Township improperly paid salaries for the Township Trustees from the Cemetery Fund in the amount of \$15,147 and from the Road and Bridge Fund in the amount of \$12,117, which should have been paid from the General Fund. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.

During 2006, the Township improperly paid salaries for the Township Trustees from the Cemetery Fund in the amount of \$14,796 and from the Road and Bridge Fund in the amount of \$11,838, which should have been paid from the General Fund. Due to the impact these adjustments would have on the General Fund, the Township has declined to make these adjustments this audit period.

Had the posting errors noted in the preceding four paragraphs been properly posted to the financial statements and the accounting system, the General Fund cash fund balance would have been decreased by \$53,898, the Cemetery Fund cash fund balance would have increased by \$29,943, and the Road and Bridge Fund cash fund balance would have increased by \$23,955.

Also, in our opinion, except for the effects of such adjustments, if any, were made to the financial statements due to the errors described in the preceding five paragraphs, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Seal Township as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion & 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 May 26, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.
May 26, 2010

**SEAL TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 17,367	\$ 126,499	\$ 143,866
Intergovernmental	24,053	163,253	187,306
Licenses, Permits, and Fees	22,372	15,350	37,722
Earnings on Investments	3,709	1,561	5,270
Miscellaneous	13	11,815	11,828
	<u>67,514</u>	<u>318,478</u>	<u>385,992</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	102,112	2,736	104,848
Public Safety	-	43,310	43,310
Public Works	-	86,963	86,963
Health	-	86,240	86,240
Capital Outlay	-	4,000	4,000
Debt Service:			
Redemption of Principal	-	33,184	33,184
Interest and Fiscal Charges	-	16,369	16,369
	<u>102,112</u>	<u>272,802</u>	<u>374,914</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	(34,598)	45,676	11,078
Fund Cash Balances, January 1	<u>66,588</u>	<u>249,085</u>	<u>315,673</u>
Fund Cash Balances, December 31	<u><u>\$ 31,990</u></u>	<u><u>\$ 294,761</u></u>	<u><u>\$ 326,751</u></u>

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

**SEAL TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 17,896	\$ 140,366	\$ 158,262
Intergovernmental	26,447	144,640	171,087
Fines, Licenses, and Permits	37,969	11,200	49,169
Earnings on Investments	4,770	3,233	8,003
Miscellaneous	-	3,400	3,400
	<u>87,082</u>	<u>302,839</u>	<u>389,921</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	102,691	-	102,691
Public Safety	-	51,665	51,665
Public Works	-	84,171	84,171
Health	-	66,644	66,644
Conservation/Recreation	-	7,044	7,044
Capital Outlay	-	15,703	15,703
Debt Service:			
Redemption of Principal	-	38,064	38,064
Interest and Fiscal Charges	-	18,466	18,466
	<u>102,691</u>	<u>281,757</u>	<u>384,448</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	(15,609)	21,082	5,473
Other Financing Receipts and (Disbursements):			
Sale of Fixed Assets	-	1,500	1,500
Other Sources	-	13,821	13,821
	<u>-</u>	<u>15,321</u>	<u>15,321</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(15,609)	36,403	20,794
Fund Cash Balances, January 1	<u>82,197</u>	<u>212,682</u>	<u>294,879</u>
Fund Cash Balances, December 31	<u><u>\$ 66,588</u></u>	<u><u>\$ 249,085</u></u>	<u><u>\$ 315,673</u></u>

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

Seal Township
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Seal Township, Pike County, as a body corporate and politic. A publicly-elected three member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection.

The Township participates in the Ohio Township Association Risk Management Authority 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.

B. Basis of Accounting

These financial statements follow 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.

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

C. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Gasoline Tax Fund – This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Cemetery Fund – This fund receives property tax money, fees for the opening and closing of graves, and sale of lots for maintaining the cemeteries.

Fire Fund – This fund receives property tax money and grants for fire protection of Township residents.

Seal Township
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2009	2008
Demand deposits	\$ 326,751	\$ 315,673

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution for its public deposits.

Seal Township
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 79,686	\$ 67,514	\$ (12,172)
Special Revenue	291,183	318,478	27,295
Total	\$ 370,869	\$ 385,992	\$ 15,123

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 161,084	\$ 102,112	\$ 58,972
Special Revenue	455,505	272,802	182,703
Total	\$ 616,589	\$ 374,914	\$ 241,675

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 79,285	\$ 87,082	\$ 7,797
Special Revenue	302,791	318,160	15,369
Total	\$ 382,076	\$ 405,242	\$ 23,166

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 161,510	\$ 102,691	\$ 58,819
Special Revenue	501,652	281,757	219,895
Total	\$ 663,162	\$ 384,448	\$ 278,714

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

Seal Township
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)

5. DEBT

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Fire Truck Lease (2003)	\$ 262,131	5.25%
Fire Truck Loan (2008)	32,258	5.77%
Total	\$ 294,389	

The 2003 Fire Truck was leased on December 2, 2003, for fifteen years with annual payments of \$25,000 for the first five years and \$36,793 for the remaining ten years, including interest. The lease was collateralized by the fire truck.

The 2008 Fire Truck Loan was issued on April 23, 2007, for a five year period. The loan was collateralized by the fire truck.

Amortization of the above debt, including interest of \$71,315, is scheduled as follows:

	2003 Fire Truck Lease	2008 Fire Truck Loan
Year ending December 31:		
2010	\$ 36,793	\$ 12,760
2011	36,793	12,760
2012	36,793	9,047
2013	36,793	
2014	36,793	
2015-2018	147,172	
	\$ 331,137	\$ 34,567

6. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a 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.

The Ohio Revised Code also prescribes contributions rates. For 2009 and 2008, OPERS members contributed 10.0 percent, of their gross salaries and the Township contributed an amount equaling 14.0 percent, of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

Seal Township
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)

7. RISK MANAGEMENT

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

The Township insures against injuries to employees through the Ohio Bureau of 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006 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. For an occurrence on or subsequent to January 1, 2006 the Pool retains casualty risk up to \$350,000 per occurrence.

Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage 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 (prior to January 1, 2008) or \$3,000,000 (on or subsequent to January 1, 2008).

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.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 in 2007.

Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2008 was \$2,032,316.

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 government.

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

Seal Township
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)

7. RISK MANAGEMENT (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with the generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$ 40,737,740	\$ 43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Retained Earnings	<u>\$ 27,755,922</u>	<u>\$ 29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$15,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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. The Township's contributions to OTARMA for the past three years are as follows:

Contributions to OTARMA	
2007	\$ 8,994
2008	\$ 8,863
2009	\$ 7,534

After completing one year of membership may withdraw on each anniversary of the date they joined OTARMA provided they provided 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. Withdrawing members have no other future obligations 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.

8. COMPLIANCE

Contrary to Ohio Administrative Code Section 117-2-02A, the Township failed to maintain internal controls over financial record keeping and reporting causing an inaccurate reflection of the receipts and disbursements for 2009 and 2008.

Contrary to Ohio Revised Code Section 505.24(C), the Township failed to maintain accurate accounting documentation to support the payment of Trustee's salary for 2009 and 2008.

Seal Township
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)

8. COMPLIANCE (Continued)

Contrary to Ohio Revised Code Section 5705.36(A)(4), the Township did not obtain a reduced amended certificate when it was apparent that actual resources were going to fall below the current level of appropriations. In 2008, a reduced amended certificate should have been obtained for the Motor Vehicle License Tax and Gasoline Tax Funds. In 2009, a reduced amended certificate should have been obtained for the General Fund.

Contrary to Ohio Revised Code Section 5705.41(D), the Township failed to obtain a certificate of the availability of funds from the Fiscal Officer prior to obligating the Township's funds for expenditure.

9. CONTINGENT LIABILITY

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

10. SUBSEQUENT EVENTS

The Township passed a general operating fire levy in November 2009, in the amount of \$53,337. The Township will begin receiving levy money in 2011.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards***

Board of Trustees
Seal Township
P.O. Box 262
Piketon, Ohio 45661

We have audited the financial statements of Seal Township, Pike County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 26, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also qualified our report on the 2009 and 2008 financial statements of the General, Road and Bridge, and Cemetery Funds due to the Township declining to make adjustments this audit period for improper postings in the prior audit period. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001, described in the accompanying schedule of findings and responses to be a material weakness.

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 statements 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2009-001 through 2009-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 26, 2010.

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

We intend this report solely for the information and use of the Township's management and the Board of Trustees. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
May 26, 2010

**SEAL TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

FINDING NUMBER 2009-001

Material Weakness/Non-compliance, Ohio Administrative Code Section 117-2-02A directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record and report its transactions, maintain accountability for the related assets, and prepare financial statements required by t Rule 117-2-03 of the OAC. OAC Section 117-2-02D allows the records to be maintained manually or in a computerized format and requires the following: 1) Cash journal with the amount, date, receipts number, check number , account code and any other information necessary to properly classify the transaction; 2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number rand other information necessary to record the transaction on this ledger, and; 3) Appropriation ledger to assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriations resolution The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursements, uncommitted balance of appropriations and any other information required may be inter in the appropriate columns

Several receipt and disbursement transactions were incorrectly posted to the proper fund and/or account in both 2009 and 2008. This did no tallow the Fiscal Officer to accurately reflect the financial transactions for the Township.

The fact that the posting errors resulting in reclassification and adjusting entries occurred indicates a significant deficiency in the internal controls of financial record keeping and reporting and resulted in the inaccurate reflection of the receipts and disbursements of the Township for 2009 and 2008.

We recommend the Fiscal Officer review the requirements of OAC Section 117-2-02 and the description of the accounts in the UAN Manual and the Township Handbook to maintain the receipt ledger in the manner prescribed therein.

Client Response: The Fiscal Officer will review the UAN chart of accounts and take steps to correct the posting errors in the future.

FINDING NUMBER 2009-002

Material Non-Compliance

Ohio Revised Code Section 505.24(C) sets forth the method by which Township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires that compensation of a Township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time and indicate the funds to be charged based on this documentation, then no part of salaries may be paid from these other funds.

For 2009 and 2008, the salaries of the Township Trustees were paid from the General fund, Cemetery Fund, and Road and Bridge Fund. The Township Trustees did not keep records documenting their time spent on Township business, the type of services performed and the corresponding allocation of time to those funds. Trustee's salaries are to be paid from the General Fund unless administrative procedures are established to document the proportionate amount of Trustees' salaries chargeable to other township funds.

**SEAL TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Continued)**

FINDING NUMBER 2009-002 (Continued)

We recommend the Township adopt formal administrative procedures regarding documenting the time spent by Township Trustee's on various duties. Once these administrative procedures are established, trustee salaries and related benefits should be charged to the applicable funds in accordance with the timesheets or other similar method of record keeping.

Client Response: The Township will implement administrative procedures to permit Trustee salaries to be paid from other Township funds.

FINDING NUMBER 2009-003

Material Non-Compliance

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Upon comparison of appropriations to available resources (defined as unencumbered beginning balance plus estimated receipts), the auditor noted 2009 appropriations were in excess of available resources in the General Fund by \$12,172. For 2008, appropriations were in excess of available resources in the Motor Vehicle license Tax Fund by \$695 and in the Gasoline Tax Fund by \$1,163.

The Township should implement monitoring procedures to ensure compliance with 5705.36(A)(4). Establishment of procedures for monitoring the compliance with this requirement helps to ensure that monies are not expended in excess of allowable limits.

Client Response: The Township will implement procedures to monitor actual resources and secure reduced amended certificates and corresponding reductions in appropriations when required.

FINDING NUMBER 2009-004

Material Non-Compliance

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract of 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 the 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" 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

SEAL TOWNSHIP
PIKE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Continued)

FINDING NUMBER 2009-004
(Continued)

2. Blanket Certificate – Fiscal Officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account 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 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. The 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.

Fifteen percent (15%) of disbursements tested had invoice dates preceding the encumbrance date. Also, the Board of Trustees did not establish an amount by resolution for which a “Blanket certificate” may be certified and the Board of Trustees did not approve payment by resolution on “then and now” certificates over \$3,000 within thirty days of receiving such certificate.

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

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also 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 the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used and the Board of Trustees should approve “then and now” certificates over \$3,000 by resolution within thirty days of receiving them. Also, we recommend the Board of Trustees establish an amount by resolution limiting the dollar value at which “blanket” certificates can be certified.

Client Response: The Township will implement procedures for the prior certification of funds.

**SEAL TOWNSHIP
PIKE COUNTY
DECEMBER 31, 2009 AND 2008**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	ORC Section 505.24 (C) Trustee method of payment	No	Reissued as 2009-002
2007-002	ORC Section 5705.41(D) Fiscal Officer's certification of available funds for disbursement.	No	Reissued as 2009-004
2007-003	Material Weakness – maintenance of sufficient accounting records	No	Reissued as 2009-001



Mary Taylor, CPA
Auditor of State

SEAL TOWNSHIP

PIKE 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
OCTOBER 14, 2010**