



**Auditor of State  
Betty Montgomery**



**SEAL TOWNSHIP  
PIKE COUNTY  
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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Seal Township  
Pike County  
P.O. Box 262  
Piketon, Ohio 45661

To the Board of Township Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of Seal Township, Pike County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of Seal Township, Pike County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Cemetery, and Fire Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

July 27, 2006

Seal Township, Pike County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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This discussion and analysis of the Seal Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

### **Highlights**

Key highlights for 2005 are as follows:

Net assets of governmental funds increased \$18,160, or 11 percent, a small change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Cemetery Fund, which realized the initiation of a new tax levy as the old levy had expired after 2004; however, most funds saw an increase in 2005 due to slight increase in revenue received and 18 percent total cost reduction averaged across funds.

The Township's general receipts are primarily property taxes. These receipts represent 77 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 increased slightly compared to 2004 as development within the Township has started to increase and is expected to accelerate in the next 5 years as more real estate is realized.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

#### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

#### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Seal Township, Pike County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township only has governmental activities:

Governmental activities. All of the Township's basic services are reported here. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are all governmental funds.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. All of the Township's governmental funds are presented on the financial statements as major funds in separate columns. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



Seal Township, Pike County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	\$ 186,350	\$ 168,190
Total Assets	186,350	168,190
 <b>Net Assets</b>		
Restricted for:		
Other Purposes	164,400	148,564
Unrestricted	21,950	19,626
Total Net Assets	\$186,350	\$168,190

As mentioned previously in the Highlights section, net assets of governmental activities increased \$18,160 or 11 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Cemetery Fund tax revenue increased 65% from CY 2004 to CY 2005 due to additional Cemetery Tax Levy passed on March 2, 2004.
- Disbursements for Debt Principal and Interest among all funds decreased 30% from CY 2004 to CY 2005 due to a loan being paid off during 2004 and less debt principal being outstanding in 2005 resulting in less interest payments.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Seal Township, Pike County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$16,750
Operating Grants and Contributions	82,643
Total Program Receipts	99,393
General Receipts:	
Property and Other Local Taxes	181,435
Grants and Entitlements Not Restricted to Specific Programs	41,967
Licenses, Permits, and Fees	32,027
Sale of Notes	81,935
Interest	858
Miscellaneous	1,005
Total General Receipts	339,227
Total Receipts	438,620
Disbursements:	
General Government	94,780
Public Safety	8,745
Health	56,937
Public Works	78,897
Other	1,699
Principal Retirement	154,249
Interest and Fiscal Charges	25,153
Total Disbursements	420,460
Excess (Deficiency) Before Transfers	18,160
Transfers	
Increase (Decrease) in Net Assets	18,160
Net Assets, January 1, 2005	168,190
Net Assets, December 31, 2005	\$186,350

Program receipts represent only 23 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 77 percent of the Township's total receipts, and of this amount, over 53 percent are local taxes. Intergovernmental, licenses, permits, and fees, sale of notes, interest, and miscellaneous receipts make up the balance of the Township's general receipts (47 percent).

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Clerk's salary and 10% of the Trustee's salaries and benefits.

Public Safety is the costs of fire protection; Public Works is the costs of maintaining roads; and Health is the costs of cemetery maintenance.

Seal Township, Pike County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**Governmental Activities**

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for General Government, Public Works, and Principal Retirement, which account for \$327,926 and 78 percent of all governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
	2005	2005
General Government	\$94,780	\$94,780
Public Safety	8,745	8,745
Public Works	78,897	(3,746)
Health	56,937	40,187
Other	1,699	1,699
Principal Retirement	154,249	154,249
Interest and Fiscal Charges	25,153	25,153
Total Expenses	\$420,460	\$321,067

The dependence upon property tax receipts is apparent as over 43 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$438,620 and disbursements of \$420,460. The year 2005 saw fund balances remain stable with increases in most funds as follows;

General Fund	+ \$2,324	12% increase
MVLT Fund	+ \$45	1% increase
Gasoline Fund	+ \$2,566	8% increase
Road & Bridge Fund	- \$780	4% decrease
Cemetery Fund	+\$8,420	17% increase
Fire Fund	+\$5,585	13% increase

The greatest change within governmental funds occurred within the Cemetery Fund. The fund balance of the Cemetery Fund increased \$8,420 as the result of a new cemetery levy. General Fund, Gasoline Tax Fund, and Cemetery Fund expenditures decreased significantly in 2005 while receipt of funds increased significantly in the General Fund.

Seal Township, Pike County  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During 2005, the Township did not amend its General Fund budget.

Final disbursements were budgeted at \$97,649 while actual disbursements were \$84,122. Although receipts exceeded expectations, appropriations were not increased.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

At December 31, 2005, the Township's outstanding debt included \$81,935 in general obligation notes issued for improvements to buildings and equipment, and \$365,185 in capital leases for fire trucks. For further information regarding the Township's debt, refer to Note 7 to the basic financial statements.

**Current Issues**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Township relies heavily on local taxes and has very little industry to support the tax base. However, the Township will continue to receive tippage fees from Pike Sanitation for disposal of solid waste in the Township.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Randy Rider, Fiscal Officer, Seal Township, P.O. Box 262, Piketon, Ohio 45661.

**Seal Township, Pike County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2005*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$186,350</u>
<i>Total Assets</i>	<u><u>\$186,350</u></u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$164,400
Unrestricted	<u>21,950</u>
<i>Total Net Assets</i>	<u><u>\$186,350</u></u>

See accompanying notes to the basic financial statements

**Seal Township, Pike County**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$94,780	\$0	\$0	\$0	(\$94,780)
Public Safety	8,745	0	0	0	(8,745)
Public Works	78,897	0	82,643	0	3,746
Health	56,937	16,750	0	0	(40,187)
Other	1,699				(1,699)
Debt Service:					
Principal	154,249				(154,249)
Interest	25,153				(25,153)
<i>Total Governmental Activities</i>	<u>\$420,460</u>	<u>\$16,750</u>	<u>\$82,643</u>	<u>\$0</u>	<u>(321,067)</u>
<b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes					181,435
Grants and Entitlements not Restricted to Specific Programs					41,967
Licenses, Permits, and Fees					32,027
Sale of Notes					81,935
Interest					858
Miscellaneous					1,005
<i>Total General Receipts</i>					<u>339,227</u>
Change in Net Assets					18,160
<i>Net Assets Beginning of Year</i>					<u>168,190</u>
<i>Net Assets End of Year</i>					<u>\$186,350</u>

See accompanying notes to the basic financial statements

**Seal Township, Pike County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	General	Motor Vehicle License Tax Fund	Gasoline Tax Fund	Road and Bridge Fund	Cemetery Fund	Fire Fund	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$21,950	\$6,140	\$34,454	\$17,082	\$57,522	\$49,202	\$186,350
<i>Total Assets</i>	<u>\$21,950</u>	<u>\$6,140</u>	<u>\$34,454</u>	<u>\$17,082</u>	<u>\$57,522</u>	<u>\$49,202</u>	<u>\$186,350</u>
<b>Fund Balances</b>							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	\$21,950	\$0	\$0	\$0	\$0	\$0	\$21,950
Special Revenue Funds	0	6,140	34,454	17,082	57,522	49,202	164,400
<i>Total Fund Balances</i>	<u>\$21,950</u>	<u>\$6,140</u>	<u>\$34,454</u>	<u>\$17,082</u>	<u>\$57,522</u>	<u>\$49,202</u>	<u>\$186,350</u>

See accompanying notes to the basic financial statements

**Seal Township, Pike County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	Motor Vehicle License Tax Fund	Gasoline Tax Fund	Road and Bridge Fund	Cemetery Fund	Fire Fund	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$17,555	\$0	\$0	\$18,018	\$63,444	\$82,418	\$181,435
Licenses, Permits and Fees	32,027	0	0	0	11,390	0	43,417
Intergovernmental	23,160	5,955	76,688	2,230	7,349	9,229	124,611
Interest	304	108	445	0	0	0	857
Other	1,005	0	0	0	5,360	0	6,365
<i>Total Receipts</i>	<u>74,051</u>	<u>6,063</u>	<u>77,133</u>	<u>20,248</u>	<u>87,543</u>	<u>91,647</u>	<u>356,685</u>
<b>Disbursements</b>							
Current:							
General Government	66,352	0	257	0	0	28,171	94,780
Public Safety	0	0	0	0	0	8,745	8,745
Public Works	0	6,018	51,851	21,028	0	0	78,897
Health	0	0	0	0	56,937	0	56,937
Other	0	0	0	0	1,699	0	1,699
Debt Service:							
Principal Retirement	17,023	0	57,961	0	38,093	41,172	154,249
Interest and Fiscal Charges	747	0	2,498	0	1,539	20,369	25,153
<i>Total Disbursements</i>	<u>84,122</u>	<u>6,018</u>	<u>112,567</u>	<u>21,028</u>	<u>98,268</u>	<u>98,457</u>	<u>420,460</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,071)</u>	<u>45</u>	<u>(35,434)</u>	<u>(780)</u>	<u>(10,725)</u>	<u>(6,810)</u>	<u>(63,775)</u>
<b>Other Financing Sources (Uses)</b>							
Notes Issued	12,395	0	38,000	0	19,145	12,395	81,935
<i>Total Other Financing Sources (Uses)</i>	<u>12,395</u>	<u>0</u>	<u>38,000</u>	<u>0</u>	<u>19,145</u>	<u>12,395</u>	<u>81,935</u>
<i>Net Change in Fund Balances</i>	2,324	45	2,566	(780)	8,420	5,585	18,160
<i>Fund Balances Beginning of Year</i>	19,626	6,095	31,888	17,862	49,102	43,617	168,190
<i>Fund Balances End of Year</i>	<u>\$21,950</u>	<u>\$6,140</u>	<u>\$34,454</u>	<u>\$17,082</u>	<u>\$57,522</u>	<u>\$49,202</u>	<u>\$186,350</u>

See accompanying notes to the basic financial statements



**Seal Township, Pike County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$15,252	\$15,252	\$17,555	\$2,303
Licenses, Permits and Fees	37,258	37,258	32,027	(5,231)
Intergovernmental	24,970	24,970	23,160	(1,810)
Interest	560	560	304	(256)
Other	0	0	1,005	1,005
<i>Total Receipts</i>	<u>78,040</u>	<u>78,040</u>	<u>74,051</u>	<u>(3,989)</u>
<b>Disbursements</b>				
Current:				
General Government	86,779	86,779	66,352	20,427
Capital Outlay	118	118	0	118
Debt Service:				
Principal Retirement	9,295	9,295	17,023	(7,728)
Interest and Fiscal Charges	1,457	1,457	747	710
<i>Total Disbursements</i>	<u>97,649</u>	<u>97,649</u>	<u>84,122</u>	<u>13,527</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,609)</u>	<u>(19,609)</u>	<u>(10,071)</u>	<u>9,538</u>
<b>Other Financing Sources (Uses)</b>				
Notes Issued	0	0	12,395	12,395
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>12,395</u>	<u>12,395</u>
<i>Net Change in Fund Balance</i>	(19,609)	(19,609)	2,324	21,933
<i>Fund Balance Beginning of Year</i>	<u>19,626</u>	<u>19,626</u>	<u>19,626</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$17</u>	<u>\$17</u>	<u>\$21,950</u>	<u>\$21,933</u>

See accompanying notes to the basic financial statements

**Seal Township, Pike County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Motor Vehicle License Tax Fund*  
*For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$5,246	\$5,246	\$5,955	\$709
Interest	100	100	108	8
<i>Total Receipts</i>	<u>5,346</u>	<u>5,346</u>	<u>6,063</u>	<u>717</u>
<b>Disbursements</b>				
Current:				
Public Works	11,441	11,441	6,018	5,423
<i>Total Disbursements</i>	<u>11,441</u>	<u>11,441</u>	<u>6,018</u>	<u>5,423</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,095)</u>	<u>(6,095)</u>	<u>45</u>	<u>6,140</u>
<i>Net Change in Fund Balance</i>	(6,095)	(6,095)	45	6,140
<i>Fund Balance Beginning of Year</i>	<u>6,095</u>	<u>6,095</u>	<u>6,095</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$6,140</u></u>	<u><u>\$6,140</u></u>

See accompanying notes to the basic financial statements

**Seal Township, Pike County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Gasoline Tax Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$47,098	\$47,098	\$76,688	\$29,590
Interest	200	200	445	245
<i>Total Receipts</i>	<u>47,298</u>	<u>47,298</u>	<u>77,133</u>	<u>29,835</u>
<b>Disbursements</b>				
Current:				
General Government	2,001	2,001	257	1,744
Public Works	54,636	54,636	51,851	2,785
Debt Service:				
Principal Retirement	20,125	20,125	57,961	(37,836)
Interest and Fiscal Charges	2,365	2,365	2,498	(133)
<i>Total Disbursements</i>	<u>79,127</u>	<u>79,127</u>	<u>112,567</u>	<u>(33,440)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(31,829)</u>	<u>(31,829)</u>	<u>(35,434)</u>	<u>(3,605)</u>
<b>Other Financing Sources (Uses)</b>				
Notes Issued	0	0	38,000	38,000
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>38,000</u>	<u>38,000</u>
<i>Net Change in Fund Balance</i>	(31,829)	(31,829)	2,566	34,395
<i>Fund Balance Beginning of Year</i>	<u>31,889</u>	<u>31,889</u>	<u>31,888</u>	<u>(1)</u>
<i>Fund Balance End of Year</i>	<u>\$60</u>	<u>\$60</u>	<u>\$34,454</u>	<u>\$34,394</u>

See accompanying notes to the basic financial statements

**Seal Township, Pike County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Road and Bridge Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$7,440	\$7,440	\$18,018	\$10,578
Intergovernmental	3,812	3,812	2,230	(1,582)
<i>Total Receipts</i>	11,252	11,252	20,248	8,996
<b>Disbursements</b>				
Current:				
Public Works	29,114	29,114	21,028	8,086
<i>Total Disbursements</i>	29,114	29,114	21,028	8,086
<i>Excess of Receipts Over (Under) Disbursements</i>	(17,862)	(17,862)	(780)	17,082
<i>Fund Balance Beginning of Year</i>	17,862	17,862	17,862	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$17,082	\$17,082

See accompanying notes to the basic financial statements

**Seal Township, Pike County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Cemetery Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$29,511	\$29,511	\$63,444	\$33,933
Licenses, Permits and Fees	16,250	16,250	11,390	(4,860)
Intergovernmental	11,500	11,500	7,349	(4,151)
Interest	0	0	0	0
Other	10,000	10,000	5,360	(4,640)
<i>Total Receipts</i>	<u>67,261</u>	<u>67,261</u>	<u>87,543</u>	<u>20,282</u>
<b>Disbursements</b>				
Current:				
Public Works	3,400	3,400	0	3,400
Health	93,299	93,299	56,937	36,362
Other	2,500	2,500	1,699	801
Debt Service:				
Principal Retirement	18,975	18,975	38,093	(19,118)
Interest and Fiscal Charges	1,556	1,556	1,539	17
<i>Total Disbursements</i>	<u>119,730</u>	<u>119,730</u>	<u>98,268</u>	<u>21,462</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(52,469)</u>	<u>(52,469)</u>	<u>(10,725)</u>	<u>41,744</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	3,437	3,437	0	(3,437)
Notes Issued	0	0	19,145	19,145
<i>Total Other Financing Sources (Uses)</i>	<u>3,437</u>	<u>3,437</u>	<u>19,145</u>	<u>15,708</u>
<i>Net Change in Fund Balance</i>	(49,032)	(49,032)	8,420	57,452
<i>Fund Balance Beginning of Year</i>	<u>49,102</u>	<u>49,102</u>	<u>49,102</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$70</u>	<u>\$70</u>	<u>\$57,522</u>	<u>\$57,452</u>

See accompanying notes to the basic financial statements

**Seal Township, Pike County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Fire Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$56,113	\$56,113	\$82,418	\$26,305
Licenses, Permits and Fees	0	0	0	0
Intergovernmental	19,979	19,979	9,229	(10,750)
Interest	0	0	0	0
Other	0	0	0	0
<i>Total Receipts</i>	<u>76,092</u>	<u>76,092</u>	<u>91,647</u>	<u>15,555</u>
<b>Disbursements</b>				
Current:				
General Government	51,346	51,346	28,171	23,175
Public Safety	10,200	10,200	8,745	1,455
Capital Outlay	8,981	8,981	0	8,981
Debt Service:				
Principal Retirement	28,801	28,801	41,172	(12,371)
Interest and Fiscal Charges	20,381	20,381	20,369	12
<i>Total Disbursements</i>	<u>119,709</u>	<u>119,709</u>	<u>98,457</u>	<u>21,252</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(43,617)</u>	<u>(43,617)</u>	<u>(6,810)</u>	<u>36,807</u>
<b>Other Financing Sources (Uses)</b>				
Notes Issued	0	0	12,395	12,395
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>12,395</u>	<u>12,395</u>
<i>Net Change in Fund Balance</i>	(43,617)	(43,617)	5,585	49,202
<i>Fund Balance Beginning of Year</i>	<u>43,617</u>	<u>43,617</u>	<u>43,617</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$0)</u>	<u>\$0</u>	<u>\$49,202</u>	<u>\$49,202</u>

See accompanying notes to the basic financial statements

Seal Township  
Pike County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 1 – Reporting Entity**

The Seal Township, Pike County, Ohio (the Township), is a body politic and corporate established in 1880 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Clerk.

The reporting entity is comprised solely of the primary government.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance and fire protection. Police protection is provided by the Pike County Sheriff within the township. Picketon village resides within the township which provides its own police protection. Fire protection is provided on a volunteer basis by the Seal Township Volunteer Fire Department.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

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**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

Seal Township  
Pike County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The Township only has governmental activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity is self-financing on a cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

**B. Fund Accounting**

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all governmental funds.

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township elected to present all funds as major governmental funds. The General Fund is used to account for all financial resources, except those required to be accounted for 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.



Seal Township  
Pike County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**B. Fund Accounting** (continued)

**Governmental Funds** (continued)

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

Seal Township  
Pike County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**E. Cash**

To improve cash management, cash received by the Township is pooled. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents.”

During 2005, the Township did not participate in any investment funds.

Interest earnings are allocated to Township funds according to State statutes. Total interest received for deposited funds was \$857 in 2005. The General Fund received \$304, MVLTT Fund received \$108, and Gasoline Tax Fund received \$445.

**F. Capital Assets**

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

**G. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**H. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for use in public works, public safety, and health program activities.

The Township’s policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**I. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. There are no reserved fund balances.

Seal Township  
Pike County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

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

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance –Budget and Actual – Budgetary Basis presented for the General Fund, MVLTT Fund, Gasoline Tax Fund, Road and Bridge Fund, Cemetery Fund, and Fire Fund, are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**Note 5 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Seal Township  
Pike County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 5 - Deposits and Investments** (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

The Township does not currently participate in any investment programs.

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$86,351 of the Township's bank balance of \$186,351 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Seal Township  
Pike County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$52.55 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$ 7,556,180
Agriculture	3,125,680
Commercial/Industrial/Mineral	1,612,490
Public Utility Property	
Real	247,870
Personal	2,928,580
Tangible Personal Property	3,516,981
Total Assessed Value	<u>\$ 18,987,781</u>

Seal Township  
Pike County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 7 - Debt**

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Dump Truck Loan	\$8,818	5.25%
Fire Truck Lease (1998)	50,618	5.56%
Fire Truck Lease (2003)	314,567	5.25%
Township Building Loan	24,791	5.75%
Backhoe Loan	14,736	3.90%
Mower/Tractor Loan	33,590	4.00%
Total	<u>\$447,120</u>	

The Dump Truck Loan was issued on April 6, 2005 for a one year period. The loan was collateralized by the dump truck. One fire truck was leased on May 29, 1998 for ten years with annual payments of \$18,771, including interest.

The other 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 10 years, including interest. The lease was collateralized by the fire truck.

The Township Building Loan was issued on April 6, 2005 for a one year period. The loan was collateralized by the Township's deposit accounts.

The Backhoe Loan was issued on March 9, 2005 for a one year period. The loan was collateralized by the backhoe. The Mower/Tractor Loan was issued on May 3, 2005 for a one year period. The loan was collateralized by the mower/tractor.

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

	<u>Township Building Loan</u>	<u>Backhoe Loan</u>	<u>New Fire Truck Lease</u>	<u>Dump Truck Loan</u>	<u>Fire Truck Lease</u>	<u>Tractor- Mower Lease</u>	<u>Total</u>
2006	\$26,216	\$15,310	\$25,000	\$9,281	\$18,771	\$34,934	\$129,512
2007			25,000		18,771		43,771
2008			25,000		18,771		43,771
2009			36,793				36,793
2010			36,793				36,793
2011-2015			183,963				183,963
2016-2018			110,378				110,378
Total	<u>\$26,216</u>	<u>\$15,310</u>	<u>\$442,927</u>	<u>\$9,281</u>	<u>\$56,313</u>	<u>\$34,934</u>	<u>\$ 584,981</u>

The one-year loans noted above that are due in 2006 are renewable loans for which a portion of the principal is paid at maturity and the remainder of the principal is renewed for an additional one year period.

Seal Township  
Pike County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 8 – Risk Management**

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

The Township insures against injuries to employees through the Ohio Bureau of 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 townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

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

Property Coverage

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

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

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

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

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

Seal Township  
Pike County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 8 – Risk Management** (continued)

Financial Position

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

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$20,748.

**Note 9 – Defined Benefit Pension Plan**

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.



Seal Township  
Pike County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 9 – Defined Benefit Pension Plan** (continued)

Ohio Public Employees Retirement System (continued)

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$11,658, \$12,371, and \$8,299 respectively. The full amount has been contributed for 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$11,658 made by the Township and \$7,314 made by the plan members.

**Note 10 - Postemployment Benefits**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

Seal Township  
Pike County  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 10 - Postemployment Benefits** (continued)

Ohio Public Employees Retirement System (continued)

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$3,441. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.



## Auditor of State Betty Montgomery

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

Seal Township  
Pike County  
P.O. Box 262  
Piketon, Ohio 45661

To the Board of Township Trustees:

We have audited the financial statements of governmental activities and each major fund of Seal Township, Pike County, Ohio (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 27, 2006, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated July 27, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the Township's management dated July 27, 2006, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

Seal Township  
Pike County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management and the Board of Township Trustees. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 27, 2006

SEAL TOWNSHIP  
PIKE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41 (B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

As of December 31, 2005, actual expenditures exceeded appropriations at the fund level for the following fund:

<u>Fund Name/(Number)</u>	<u>Total Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Gasoline Tax Fund (2021)	\$79,127	\$112,567	\$33,440

Also, actual expenditures exceeded appropriations at the fund, function, and object level for the Debt Service: Principal Retirement line item within the General Fund by \$7,728, Gasoline Tax Fund by \$37,836, Cemetery Fund by \$19,118, and Fire Fund by \$12,371.

These negative variances were due to adjustments made for renewal of note debt and the corresponding disbursements to pay off the outstanding balances.

Noncompliance with this code section may result in fund deficits at year end.

We recommend when the Township renews note debt, the Fiscal Officer record the revenue as "Sale of Notes" and obtain an amended certificate of estimated resources for the loan amount. Also, we recommend, the Clerk record the disbursement as "Debt Service: Principal Retirement" and the Trustees approve the supplemental appropriations for the disbursement amount. Also, the Fiscal Officer should deny payment requests exceeding appropriations. In addition, we recommend the Fiscal Officer periodically compare expenditures plus encumbrances with the appropriation authority and obtain approval to amend as needed.

**Officials' Response**

We did not receive a response from Officials to this finding.

SEAL TOWNSHIP  
PIKE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-001	Ohio Rev. Code § 5705.41(B), Expenditures exceeded legislatively approved appropriations at the fund level and legal level of control.	No	Not Corrected. Reissued as Finding Number 2005-001



**Auditor of State  
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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  
AUGUST 29, 2006**