



**SEAL TOWNSHIP
PIKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**SEAL TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Township Trustees:

We have audited the accompanying financial statements of Seal Township, Pike County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Seal Township, Pike County, as of December 31, 1999 and 1998, and its combined cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 10, 2000, 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 grants.

This report is intended solely for the information and use of the Township Trustees, management and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

July 10, 2000

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SEAL TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$10,493	\$64,470	\$74,963
Licenses, Permits and Fees		57,732	57,732
Intergovernmental	24,539	59,214	83,753
Interest	418	816	1,234
Miscellaneous	841	12,200	13,041
Total Cash Receipts	<u>36,291</u>	<u>194,432</u>	<u>230,723</u>
Cash Disbursements:			
General Government	36,378	19,076	55,454
Public Safety		6,727	6,727
Public Works		64,363	64,363
Health		45,013	45,013
Miscellaneous		37,138	37,138
Total Cash Disbursements	<u>36,378</u>	<u>172,317</u>	<u>208,695</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>(87)</u>	<u>22,115</u>	<u>22,028</u>
Other Financing Sources/(Uses):			
Transfers-in		12,500	12,500
Transfers-out	(12,500)		(12,500)
Total Other Financing Sources/(Uses)	<u>(12,500)</u>	<u>12,500</u>	
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	<u>(12,587)</u>	<u>34,615</u>	<u>22,028</u>
Fund Cash Balances, January 1	<u>19,556</u>	<u>89,840</u>	<u>109,396</u>
Fund Cash Balances, December 31	<u>\$6,969</u>	<u>\$124,455</u>	<u>\$131,424</u>
Reserve for encumbrances, December 31, 1999	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

SEAL TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Local Taxes	\$10,597	\$71,378	\$81,975
Licenses, Permits and Fees		41,556	41,556
Intergovernmental	42,907	57,069	99,976
Interest	711	212	923
Miscellaneous	11,127	22,302	33,429
Total Cash Receipts	65,342	192,517	257,859
Cash Disbursements:			
General Government	54,743	25,430	80,173
Public Safety		4,965	4,965
Public Works		67,408	67,408
Health		27,144	27,144
Capital Outlay		30,167	30,167
Total Cash Disbursements	54,743	155,114	209,857
Excess of Cash Receipts Over/(Under) Cash Disbursements	10,598	37,403	48,001
Other Financing Sources/(Uses):			
Transfers-in		5,000	5,000
Transfers-out	(5,000)		(5,000)
Other Financing Sources	113	76	189
Total Other Financing Sources/(Uses)	(4,887)	5,076	189
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	5,711	42,479	48,190
Fund Cash Balances, January 1	13,845	47,361	61,206
Fund Cash Balances, December 31	\$19,556	\$89,840	\$109,396
Reserve for encumbrances, December 31, 1998	\$19	\$515	\$534

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

**SEAL TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

Seal Township, Pike County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees and a publically elected Clerk. The Township provides general governmental services, police services, street lighting, and maintenance of Township roads.

The Township's management believes these financial statements represent 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 a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made. (i.e., when an encumbrance is approved)

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

C. Cash and Investments

The Township had no investments during our audit period.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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 by law or contract to be restricted.

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 Fund :

Gasoline Tax Fund - This fund received gasoline tax monies to construct, maintain and repair Township roadways.

SEAL TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

3. Appropriations

Budgetary expenditures (i.e., disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Township Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered 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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. 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

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:

	<u>1999</u>	<u>1998</u>
Demand Deposits	<u>\$131,424</u>	<u>\$109,396</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township.

SEAL TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998, was as follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,626	\$36,291	\$10,665
Special Revenue	<u>164,882</u>	<u>206,932</u>	<u>42,050</u>
Total	<u>\$190,508</u>	<u>\$243,223</u>	<u>\$52,715</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,302	\$48,878	\$5,424
Special Revenue	<u>220,481</u>	<u>172,317</u>	<u>48,164</u>
Total	<u>\$274,783</u>	<u>\$221,195</u>	<u>\$53,588</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,482	\$65,455	\$28,973
Special Revenue	<u>188,505</u>	<u>197,593</u>	<u>9,088</u>
Total	<u>\$224,987</u>	<u>\$263,048</u>	<u>\$38,061</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,000	\$59,762	\$238
Special Revenue	<u>155,600</u>	<u>155,629</u>	<u>(29)</u>
Total	<u>\$215,600</u>	<u>\$215,391</u>	<u>\$209</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township 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.

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

SEAL TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

4. PROPERTY TAX (Continued)

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.

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Backhoe	\$8,600	6%
Tractor-Mower	17,363	6%
Fire Truck	130,352	7%
Pick-up Truck	<u>24,000</u>	4%
Total	<u>\$180,315</u>	

The backhoe loan was issued on January 18, 1996, for four years, with annual payments of \$9,067, including interest. The tractor-mower note was issued on May 1, 1998, for four years with annual payments of \$5,540, including interest. The fire truck loan originated on May 15, 1998, for ten years. Annual payments were set at \$18,771, including interest. The note for the pick-up truck originated on May 5, 1999, for a period of five years. Payments of \$5,038 were set up to be made annually.

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

<u>Year ending December 31:</u>	General Obligation <u>Notes</u>
2000	\$38,416
2001	29,349
2002	29,349
2003	29,349
2004	23,809
Subsequent	<u>75,083</u>
Total	<u>\$225,355</u>

SEAL TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

6. RETIREMENT SYSTEMS

The Township's employees and officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is cost-sharing, multiple-employer plan. This plan provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of . PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance coverage for the following risks:

- General liability and casualty
- Public officials' liability
- Vehicles
- Property

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To The Township Trustees:

We have audited the financial statements of Seal Township, Pike County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-40766-001 and 1999-40766-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 10, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Seal Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Township in a separate letter dated July 10, 2000.

Seal Township
Pike County
Report of Independent Accountants on Compliance and on Internal
Control Required by *Government Auditing Standards*

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

July 10, 2000

**SEAL TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

Finding Number 1999-40766-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated resources.

Appropriations exceeded estimated resources in the General Fund by \$9,674 (16%) and \$8,666 (16%) in 1998 and 1999, respectively.

We recommend that the Township Trustees not make any appropriations that are not supported by a certificate of estimated resources signed by the County Budget Commission.

Finding Number 1999-40766-002

Noncompliance Citation

Ohio Rev. Code Section 2921.42 (A)(1) states that no public official shall knowingly authorize any public contract in which he, a member of his family, or any of his business associates has an interest. Further, Ohio Rev. Code Section 2921.42(C)(1-4) states that this section does not apply to a public contract when all of the following apply: (1) the subject of the contract is necessary supplies for the political subdivision, (2) the supplies are unobtainable elsewhere for the same or lower cost, (3) the treatment given the political subdivision is either preferential to or the same as that accorded to other customers, and (4) the entire transaction is conducted at arm's length.

During 1999, Trustee Harry Rider signed vouchers approving payment of \$963 to his brother, doing business as John Rider Trucking. In addition, Mr. Rider's nephew was hired to mow Township cemeteries and Mr. Rider signed his pay voucher for \$372. A review of the minutes and the disbursements of the Township indicated that these services could have been obtained elsewhere for the same or lower cost.

We recommend that Trustee Rider refrain from the approval process for any future contract or the payment of public funds, made to a member of his family. This matter will be referred to the Pike County Prosecuting Attorney and the Ohio Ethics Commission for further action.

**SEAL TOWNSHIP
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 1999 AND 1998**

Finding Number	Finding Summary	Fully Corrected	
1997-40766-001	Appropriations exceeded estimated resources	No	Reissued in the current year report as 1999-90776-001
1997-40766-002	Disbursements exceeded appropriations	Yes	

**SEAL TOWNSHIP
CORRECTIVE ACTION PLAN
DECEMBER 31, 1999 AND 1998**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-40766-001	Will bring matter to attention of Trustees to see if they feel it is worth implementing.	Board meeting following post audit.	Larry Lamerson, Clerk
1999-40766-002	Trustee Rider will refrain from authorizing any payments to members of his family.	Board meeting following post audit.	Larry Lamerson, Clerk



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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 17, 2000**