



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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SEAL TOWNSHIP
PIKE COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2011 and 2010
Fiscal Years Audited Under GAGAS: 2011 and 2010



Dave Yost • 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, 2010 through December 31, 2011. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 2, 2012

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Seal Township
Pike County
Table of Contents

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2011.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2010.....	4
Notes to the Financial Statements	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	12
Schedule of Findings and Responses.....	14
Schedule of Prior Audit Findings.....	15

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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, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

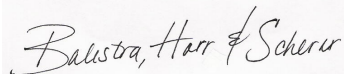
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Seal Township, Pike County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2012, 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.

As described in Note 10 to the financial statements, during 2011 the Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



Balestra, Harr & Scherer, CPAs, Inc.
March 23, 2012

**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, 2011**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 24,506	\$ 241,966	\$ 266,472
Intergovernmental	21,089	112,043	133,132
Licenses, Permits, and Fees	30,415	9,650	40,065
Earnings on Investments	6,636	1,390	8,026
Miscellaneous	1,752	15,132	16,884
	<u>84,398</u>	<u>380,181</u>	<u>464,579</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	69,248	-	69,248
Public Safety	-	41,958	41,958
Public Works	-	117,268	117,268
Health	-	116,386	116,386
Capital Outlay	-	2,210	2,210
Debt Service:			
Redemption of Principal	-	36,774	36,774
Interest and Fiscal Charges	-	12,938	12,938
	<u>69,248</u>	<u>327,534</u>	<u>396,782</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	15,150	52,647	67,797
Fund Cash Balances, January 1	<u>118,693</u>	<u>332,831</u>	<u>451,524</u>
Restricted	-	385,478	385,478
Unassigned	133,843	-	133,843
Fund Cash Balances, December 31	<u><u>\$ 133,843</u></u>	<u><u>\$ 385,478</u></u>	<u><u>\$ 519,321</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, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 19,026	\$ 135,045	\$ 154,071
Intergovernmental	181,938	201,253	383,191
Fines, Licenses, and Permits	25,369	12,150	37,519
Earnings on Investments	4,622	1,466	6,088
Miscellaneous	2,396	17,840	20,236
	<u>233,351</u>	<u>367,754</u>	<u>601,105</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	92,750	1,500	94,250
Public Safety	-	46,798	46,798
Public Works	-	153,833	153,833
Health	-	79,048	79,048
Capital Outlay	-	52,850	52,850
Debt Service:			
Redemption of Principal	-	34,934	34,934
Interest and Fiscal Charges	-	14,619	14,619
	<u>92,750</u>	<u>383,582</u>	<u>476,332</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	140,601	(15,828)	124,773
Fund Cash Balances, January 1, as Restated in Note 11	<u>(21,908)</u>	<u>348,659</u>	<u>326,751</u>
Fund Cash Balances, December 31	<u>\$ 118,693</u>	<u>\$ 332,831</u>	<u>\$ 451,524</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, 2011 and 2010

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, (the Township) 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 provide additional information for this entity.

Public Entity Risk Pool:

OTARMA is a risk-sharing pool available to Ohio townships and provides property and casualty coverage for its members.

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, 2011 and 2010
(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 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 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.

F. Fund Balance

For December 31, 2011 fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fun resources. The classifications are as follows:d

1. Nonspendable

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

2. Restricted

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

Seal Township
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

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:

	2011	2010
Demand deposits	\$ 519,321	\$ 451,524

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 75,310	\$ 84,398	\$ 9,088
Special Revenue	358,817	380,181	21,364
Total	\$ 434,127	\$ 464,579	\$ 30,452

Seal Township
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010
(Continued)

3. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 194,004	\$ 69,248	\$ 124,756
Special Revenue	618,342	327,534	290,808
Total	\$ 812,346	\$ 396,782	\$ 415,564

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 218,562	\$ 233,351	\$ 14,789
Special Revenue	337,555	367,754	30,199
Total	\$ 556,117	\$ 601,105	\$ 44,988

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 136,800	\$ 92,750	\$ 44,050
Special Revenue	544,461	383,582	160,879
Total	\$ 681,261	\$ 476,332	\$ 204,929

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.

5. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Fire Truck Lease (2003)	\$ 213,304	5.25%
Fire Truck Loan (2008)	9,377	5.77%
Total	\$ 222,681	

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.

Seal Township
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010
(Continued)

5. DEBT (Continued)

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 \$44,789, is scheduled as follows:

	2003 Fire Truck Lease	2008 Fire Truck Loan
Year ending December 31:		
2013	\$ 36,793	\$ 9,919
2013	36,793	
2014	36,793	
2015	36,793	
2016	36,793	
2017-2018	73,586	
	\$ 257,551	\$ 9,919

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 2011 and 2010, 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, 2011.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Seal Township
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010
(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, 2010 and 2009 (latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$ 35,855,252	\$ 38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Retained Earnings	<u>\$ 25,190,528</u>	<u>\$ 26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$6,888

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

<u>Contributions to OTARMA</u>		
<u>2011</u>	<u>2010</u>	<u>2009</u>
\$11,858	\$9,308	\$7,534

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

8. COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41(B), the Township had expenditures exceeding appropriations by \$24,778 in the Fire Fund in 2010.

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.

Seal Township
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010
(Continued)

10. Change in Accounting Principle and Fund Balances

For fiscal year 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement 54, fund balance reporting and Governmental fund type definitions.

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the General Fund and Special Revenue Funds for the year ended December 31, 2011 are presented as follows:

Fund Balance	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Restricted for			
Road and Bridge Maintenance	\$ -	\$ 151,509	\$ 151,509
Cemetery Operations	-	112,570	112,570
Fire Operations	-	121,399	121,399
Total Restricted	<u>-</u>	<u>385,478</u>	<u>385,478</u>
Unassigned (Deficit)	<u>133,843</u>	<u>-</u>	<u>133,843</u>
Total Fund Balances	<u>\$ 133,843</u>	<u>\$ 385,478</u>	<u>\$ 519,321</u>

11. Prior Period Adjustments

The Township's fund cash balances at January 1, 2010 have been restated for adjustments made to the trustee's compensation in 2006 and 2007. This adjustment resulted in the following changes in fund balances at January 1, 2010

	<u>General</u>			<u>Special Revenue Funds</u>			<u>Total Special</u>
	<u>Fund</u>	<u>Road & Bridge</u>	<u>Cemetery</u>	<u>MVLT</u>	<u>Fire</u>	<u>Gas Tax</u>	<u>Revenue Funds</u>
December 31, 2009 balance	\$ 31,990	\$ 46,022	\$ 98,857	\$ 11,354	\$ 40,536	\$ 97,992	\$ 294,761
Adjustment	<u>(53,898)</u>	<u>23,955</u>	<u>29,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,898</u>
January 1, 2010 balance	(21,908)	69,977	128,800	11,354	40,536	97,992	348,659



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

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, 2011 and 2010, and have issued our report thereon dated March 23, 2012, 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 and that the Township implemented Governmental Accounting Standards Board Statement No. 54 during 2011. 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

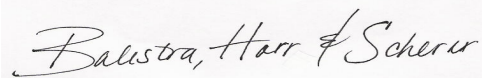
As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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 2011-001 and 2011-002.

Board of Trustees
Seal Township, Pike County
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards*
Page 2

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated March 23, 2012.

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

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



Balestra, Harr & Scherer, CPAs, Inc.
March 23, 2012

**SEAL TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-001

Material Non-compliance:

Ohio Rev. Code Section 5705.41(B). No subdivision or taxing unit is to expend money unless it has been appropriated. [Section 5705.41(B)].

In 2010, the Township had expenditures exceeding appropriations in the fire fund by \$24,778

The Township should monitor their appropriations to actual expenditures more closely throughout the year and make amendments where necessary.

Client Response:

I plan to be totally aware of appropriation amounts in the future and be careful not to exceed them.

FINDING NUMBER 2011-002

Material Non-Compliance:

Ohio Rev. Code Section 5705.41(D)(1) 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.

he Township's Fiscal Officer did not certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The Fiscal Officer did not certify the availability of funds prior to making commitments for several of the disbursements tested in 2011 (7 out of 33) and 2010 (2 out of 32).

The Township officials and employees must obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Ohio Revised Code Section 5705.41(D) requires to authorize disbursements. The Then and Now Certificates must include language that states that the Fiscal Officer did certify the availability of funds before the time of purchase.

Client Response:

The Client chose not to respond to this issue.

**SEAL TOWNSHIP
PIKE COUNTY
DECEMBER 31, 2011 AND 2010**

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:
2009-001	ORC Section 117-2-02A Accounting records./Material weakness	Yes	Corrected
2009-002	ORC Section 505.24(C) Trustees' compensation	Yes	Corrected
2009-003	ORC 5705.36(A)(4) Reducing amended certificates.	No	Reissued in management letter
2009-004	ORC 5705.41(D) Expending funds before appropriating.	No	Reissued as 2011-002

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Dave Yost • 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
MAY 15, 2012**