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Certified Public Accountants, A.C.

**LYKENS TOWNSHIP
CRAWFORD COUNTY
Regular Audit**

For the Years Ended December 31, 2015 and 2014

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Dave Yost • Auditor of State

Board of Trustees
Lykens Township
1322 Orr Road
Sycamore, OH 44882

We have reviewed the *Independent Auditor's Report* of Lykens Township, Crawford County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2015. 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.

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. Lykens 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

December 21, 2016

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LYKENS TOWNSHIP
CRAWFORD COUNTY

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INDEPENDENT AUDITOR'S REPORT

October 11, 2016

Lykens Township
Crawford County
1322 Orr Road
Sycamore, OH 44882

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of **Lykens Township**, Crawford County, (the Township) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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

As described in Note 1B of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Lykens Township, Crawford County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**LYKENS TOWNSHIP
CRAWFORD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 35,718	\$ -	\$ 35,718
Intergovernmental	20,004	105,447	125,451
Earnings on Investments	57	39	96
Miscellaneous	4,847	4,884	9,731
<i>Total Cash Receipts</i>	<u>60,626</u>	<u>110,370</u>	<u>170,996</u>
Cash Disbursements			
Current:			
General Government	120,555	-	120,555
Public Safety	538	-	538
Public Works	-	52,034	52,034
<i>Total Cash Disbursements</i>	<u>121,093</u>	<u>52,034</u>	<u>173,127</u>
<i>Net Change in Fund Cash Balances</i>	(60,467)	58,336	(2,131)
<i>Fund Cash Balances, January 1</i>	<u>180,052</u>	<u>113,195</u>	<u>293,247</u>
Fund Cash Balances, December 31			
Restricted	-	171,531	171,531
Assigned	-	-	-
Unassigned	119,585	-	119,585
<i>Fund Cash Balances, December 31</i>	<u>\$ 119,585</u>	<u>\$ 171,531</u>	<u>\$ 291,116</u>

The accompanying notes are an integral part of the Financial Statements.

**LYKENS TOWNSHIP
CRAWFORD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 39,261	\$ -	\$ 39,261
Intergovernmental	10,490	99,289	109,779
Earnings on Investments	25	10	35
Miscellaneous	3,694	-	3,694
<i>Total Cash Receipts</i>	<u>53,470</u>	<u>99,299</u>	<u>152,769</u>
Cash Disbursements			
Current:			
General Government	123,997	-	123,997
Public Safety	538	-	538
Public Works	-	64,724	64,724
<i>Total Cash Disbursements</i>	<u>124,535</u>	<u>64,724</u>	<u>189,259</u>
<i>Net Change in Fund Cash Balances</i>	(71,065)	34,575	(36,490)
<i>Fund Cash Balances, January 1</i>	<u>251,117</u>	<u>78,620</u>	<u>329,737</u>
Fund Cash Balances, December 31			
Restricted	-	113,195	113,195
Assigned	-	-	-
Unassigned	180,052	-	180,052
<i>Fund Cash Balances, December 31</i>	<u>\$ 180,052</u>	<u>\$ 113,195</u>	<u>\$ 293,247</u>

The accompanying notes are an integral part of the Financial Statements.

**LYKENS TOWNSHIP
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

1. REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Lykens Township, Crawford 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 contracts with the Central Joint Ambulance Township to provide ambulance services.

The Townships management believes these financial statements present all activities for which the Township is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

B. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

C. Basis of Accounting

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

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

**LYKENS TOWNSHIP
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

2. 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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2015 and 2014 budgetary activity appears in Note 4.

E. Deposits and Investments

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

The Township values U.S. Treasury Notes and common stock at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

F. Fund Balance

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

1. Nonspendable

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

**LYKENS TOWNSHIP
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Balance (Continued)

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.

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.

3. COMPLIANCE

Contrary to Ohio law, the fiscal officer did not certify to the county auditor all sources available for expenditure from each fund and unencumbered balances for fiscal years 2015 and 2014. Also contrary to Ohio law, the Township did not properly appropriate expenditures in the General Fund and all Special Revenue Funds for 2015 and 2014, causing the expenditures to exceed appropriations in the General Fund and all Special Revenue Funds for 2015 and 2014.

**LYKENS TOWNSHIP
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 60,626	\$ 60,626
Special Revenue	-	110,370	\$ 110,370
Total	<u>\$ -</u>	<u>\$ 170,996</u>	<u>\$ 170,996</u>

2015 Budgeted vs. Actual Budgetary Expenditures

Fund Type	Appropriation Authority	Budgeted Expenditures	Variance
General	\$ -	\$ 121,093	\$ (121,093)
Special Revenue	-	52,034	\$ (52,034)
Total	<u>\$ -</u>	<u>\$ 173,127</u>	<u>\$ (173,127)</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 53,470	\$ 53,470
Special Revenue	-	99,299	\$ 99,299
Total	<u>\$ -</u>	<u>\$ 152,769</u>	<u>\$ 152,769</u>

2014 Budgeted vs. Actual Budgetary Expenditures

Fund Type	Appropriation Authority	Budgeted Expenditures	Variance
General	\$ 55,720	\$ 124,535	\$ (68,815)
Special Revenue	-	64,724	\$ (64,724)
Total	<u>\$ 55,720</u>	<u>\$ 189,259</u>	<u>\$ (133,539)</u>

Contrary to Ohio Law, the Township did not certify to the county auditor the total amount from all sources which were available for expenditure along with unnumbered balances for 2015 and 2014. Also, budgetary expenditures exceeded appropriation authority in the General Fund and all special Revenue Funds for 2015 and 2014.

**LYKENS TOWNSHIP
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

5. DEPOSITS AND INVESTMENTS

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

	2014	2015
Demand deposits	\$280,272	\$278,127
Total deposits	280,272	278,127
STAR Ohio	12,975	12,989
Total investments	12,975	12,989
Total deposits and investments	\$293,247	\$291,116

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

6. PROPERTY TAXES

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**LYKENS TOWNSHIP
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

7. RISK MANAGEMENT (CONTINUED)

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$4,000

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>2015</u>	<u>2014</u>
\$8,389	\$7,508

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.

**LYKENS TOWNSHIP
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

8. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2015</i>	<i>10%</i>	<i>14%</i>

B. Social Security

Two Township employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

9. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.



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

October 11, 2016

Lykens Township
Crawford County
1322 Orr Road
Sycamore, OH 44882

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of cash balances, receipts, and disbursements by fund type of **Lykens Township**, Crawford County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated October 11, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 through 2015-005 described in the accompanying schedule of findings to be material weaknesses.



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Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as items 2015-003 through 2015-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 11, 2016.

Entity's Response to Findings

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

Purpose of this Report

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**LYKENS TOWNSHIP
CRAWFORD COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-001

Material Weakness

Posting Receipts and Disbursements

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure information provided to the reader of the financial statements is accurate.

During 2015 and 2014, some receipts and disbursements were not posted to accurate classifications based on the source of the receipt or type of disbursement. The following posting errors were noted:

The following were not recorded in the Township's UAN accounting system in 2015:

- Local Government receipts
- Real Estate Settlement receipts
- House Bill 64 receipt
- Interest from primary checking and Star Ohio investment account
- Manufactured Homes settlement receipt
- Motor Vehicle License tax receipts
- Gasoline tax receipts
- Miscellaneous revenue receipts
- Tax collection fees
- OPERS payments
- Various checks to vendors

Also, several checks were voided in UAN, but cleared the Township's primary checking account. Five payroll checks were reissued that did not clear the Township's primary checking account and were not voided.

The following were not recorded in the Township's UAN accounting system in 2014:

- Homestead and Rollback receipts
- Excess IRP receipt
- Gas Excise tax receipt
- Miscellaneous revenue receipt

Not posting receipts and disbursements correctly resulted in the financial statements requiring adjustments. The financial statements reflect all adjustments. The Township has made all adjustments to its accounting system.

To ensure the accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenses are properly identified and classified on the financial statements

We also recommend the Fiscal Officer refer to the Ohio Township Handbook or other Auditor of State resources for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

LYKENS TOWNSHIP
CRAWFORD COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001 (CONTINUED)

Material Weakness

Posting Receipts and Disbursements (Continued)

Officials' Response: The Township officials have rectified this situation by making certain monthly bank reconciliations are completed in UAN to ensure that no transactions have been missed posting in UAN. The monthly bank reconciliations are now reviewed and signed by each trustee at the monthly meetings. The fiscal officer that was in place during this audit period has since resigned from the position and has been replaced with a fiscal officer that has experience with utilizing the UAN software

FINDING NUMBER 2015-002

Material Weakness

Bank Reconciliations

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. Outstanding checks, transfers between bank accounts and other reconciling items were included on the initial bank reconciliation of the Township and carried forward throughout the audit period. The lack of proper reconciliations among the bank statements and ledgers resulted in numerous errors which remained uncorrected until the audit. The Fiscal Officer tracked all differences and was able to provide support for all reconciling items.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total book balance on a monthly basis. Copies of bank reconciliations should be presented to the Board of Trustees for review, approval, and use in managing the Township. The Fiscal Officer should reconcile activity entered in the accounting system to the bank balance.

Officials' Response: The Township officials have rectified this situation by making certain monthly bank reconciliations are completed in UAN to ensure no transactions have been missed posting in UAN. The monthly bank reconciliations are now reviewed and signed by each trustee at the monthly meetings. The fiscal officer that was in place during this audit period has since resigned from the position and has been replaced with a fiscal officer that has experience with utilizing the UAN software.

FINDING NUMBER 2015-003

Material Weakness/Noncompliance

Ohio Revised Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

**LYKENS TOWNSHIP
CRAWFORD COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-003 (CONTINUED)

Material Weakness/Noncompliance

The Township did not file the 2015 Annual Financial Report and filed 2014 Annual Financial Report late with the Auditor of State's office.

Officials' Response: The Township officials are adopting new procedures to ensure that all reports are filed in a timely manner and that proper notifications are published in the local newspaper. The fiscal officer that was in place during this audit period has since resigned from the position and has been replaced with an experienced fiscal officer.

FINDING NUMBER 2015-004

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.36(A)(1) states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

Ohio Revised Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds had expenditures which exceeded appropriations: General, Motor Vehicle License Tax, and Gasoline Tax Funds in 2014 and 2015.

Ohio Revised Code, Section 5705.39, total appropriations from each fund shall not exceed the total of estimated resources available for expenditure. The following funds had appropriations which exceeded estimated resources: General, Motor Vehicle License Tax, and Gasoline Tax Funds in 2014 and 2015.

The Township did not certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year for the years ended December 31, 2015 and 2014. Also, the Township did not properly appropriate expenditures in the General and Special Revenue funds in 2015 and 2014, causing expenditures to exceed appropriations in the General and Special Revenue funds in 2015 and 2014.

Failure to monitor expenditures, appropriations, and estimated resources can lead to overspending in individual funds, causing negative fund balances. We recommend Township Officials regularly compare appropriation levels to disbursements, outstanding encumbrances, and estimated revenue to determine the need for amendments and reduce the risk of negative fund balances.

We recommend the Township take the necessary steps to certify their budgetary documents to the County Auditor on or before the required date. We also recommend the Township prepare the required documents and use due care in monitoring its budgetary documents since these documents are an integral part of the budgetary control process. The Township should integrate the budgetary documents into the computer system. Failure to properly monitor budgetary activity on a regular basis could result in negative fund balances. We recommend that the Township monitor budgetary activity on a regular basis and obtain amended certificates as needed. The Township should refer to the Ohio Compliance Supplement and Township Handbook for guidance on the legal budgetary process.

LYKENS TOWNSHIP
CRAWFORD COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-004 (CONTINUED)

Material Weakness/Noncompliance

Officials' Response: The Township trustees approved the appropriations annually prior to the start of each new year and were unaware that the proper documents had failed to be filed with the County officials. The township trustees are putting procedures in place to ensure that all documents are filed with the proper authorities in a timely manner.

FINDING NUMBER 2015-005

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting 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. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

LYKENS TOWNSHIP
CRAWFORD COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-005 (CONTINUED)

Material Weakness/Noncompliance

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Township did not provide purchase orders for 2015 and 2014.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

Officials' Response: The Township officials are adopting new procedures to ensure that all necessary certifications are created in the UAN software for the purchase of the any & all expenditures paid from the townships books.

FINDING NUMBER 2015-006

Noncompliance

Ohio Rev. Code Section 505.24 and AOS bulletin 2011-007 requires that each Township Trustee/Fiscal Officer must complete a payroll certification detailing the percentage of time that the Trustee/Fiscal Officer spent during the pay period providing services related to each fund to be charged prior to receiving his/her pay for that period.

In 2015 and 2014, Township Trustees were paid from the General, Motor Vehicle License Tax, and Gasoline Tax Funds based on payroll certifications. However, some payroll certificates allowed 100% allocation from the Gasoline and Motor Vehicle License Tax Funds and some did not match payroll disbursements. These were adjusted back to the General Fund.

The failure to properly pay the Township Trustees in accordance to the approved payroll certifications for each pay period could result in improper payments from unallowed funds and potential findings for recovery against elected officials.

We recommend procedures be implemented by the Township to ensure payroll certifications are prepared and presented properly, and pay is allocated from the proper funds.

Officials' Response: The Township officials are implementing new procedures to report the hours worked for all township activity so that it is properly recorded in the fund that the activity relates to.

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Dave Yost • Auditor of State

LYKENS TOWNSHIP

CRAWFORD 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
DECEMBER 29, 2016