

LYKENS TOWNSHIP
CRAWFORD COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2004



Mary Taylor, CPA

Auditor of State

Board of Trustees
Lykens Township
7695 Kennedy Road
Bloomville, Ohio 44818

We have reviewed the *Independent Auditors' Report* of Lykens Township, Crawford County, prepared by Holbrook & Manter, for the audit period January 1, 2004 through December 31, 2004. 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 Auditors' 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 Auditors' 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. Lykens Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 11, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lykens Township
Crawford County

We have audited the accompanying financial statements of Lykens Township, Crawford County, Ohio, (the Township) as of and for the year ended December 31, 2004. 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 *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 discussed in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State of Ohio 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio 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 year ended December 31, 2004 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Lykens Township, Crawford County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

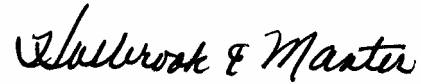
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MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OHIO SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2007 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.



Certified Public Accountants

March 5, 2007

LYKENS TOWNSHIP
CRAWFORD COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
CASH RECEIPTS:-			
Property tax and other local taxes	\$ 9,809	\$ 9,809	\$ 19,618
Intergovernmental receipts	29,755	80,148	109,903
Earnings on investments	187	312	499
Miscellaneous	<u>4,108</u>	<u>8</u>	<u>4,116</u>
Total cash receipts	43,859	90,277	134,136
CASH DISBURSEMENTS:-			
Current:-			
General government	52,800	0	52,800
Public safety	323	0	323
Public works	0	68,181	68,181
Health	<u>1,716</u>	<u>0</u>	<u>1,716</u>
Total cash disbursements	<u>54,839</u>	<u>68,181</u>	<u>123,020</u>
Total receipts over (under) cash disbursements	(10,980)	22,096	11,116
OTHER FINANCING SOURCES (USES):-			
Sale of fixed assets	<u>3,250</u>	<u>450</u>	<u>3,700</u>
Total other financing sources (uses)	<u>3,250</u>	<u>450</u>	<u>3,700</u>
Total receipts over (under) cash disbursements	(7,730)	22,546	14,816
Fund cash balances, January 1, 2004	<u>30,011</u>	<u>29,805</u>	<u>59,816</u>
Fund cash balances, December 31, 2004	<u>\$ 22,281</u>	<u>\$ 52,351</u>	<u>\$ 74,632</u>

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

**LYKENS TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

Description of the Entity - Lykens Township, Crawford County, (the Township) is a body corporate and politic 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 three publicly - elected Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township has a volunteer fire department to provide fire services and Central Joint Ambulance District provides ambulance services.

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

Basis of Accounting - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, 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. 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 of Ohio.

Cash and Investments - Investments are assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (The State Treasurer's investment pool) is recorded at share values reported by the State Treasurer.

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:

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.

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:

Road and Bridge Fund

This fund receives property tax money to pay for construct, maintain and repair Township roads.

Gasoline Tax Fund

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

**LYKENS TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

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

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 Crawford County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

Estimated Resources

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

Encumbrances

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

A summary of 2004 budgetary activity appears in Note 3.

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.

NOTE 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, 2004 was as follows:

Demand deposits	\$	43,600
Star Ohio		<u>31,032</u>
Total deposits	\$	<u><u>74,632</u></u>

Deposits - The Townships deposits are insured by the Federal Depository Insurance Corporation up to \$100,000.

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

**LYKENS TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2004 was as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 32,774	\$ 47,109	\$ 14,335
Special Revenue	<u>76,818</u>	<u>90,727</u>	<u>13,909</u>
Total	\$ <u>109,592</u>	\$ <u>137,836</u>	\$ <u>28,244</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 54,024	\$ 54,839	\$ (815)
Special Revenue	<u>110,203</u>	<u>68,181</u>	<u>42,022</u>
Total	\$ <u>164,227</u>	\$ <u>123,020</u>	\$ <u>41,207</u>

LYKENS TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 4 - PROPERTY TAX:-

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to Crawford 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.

NOTE 5 - RETIREMENT SYSTEMS:-

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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 2004, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2004.

NOTE 6 - RISK POOL MANAGEMENT:-

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

**LYKENS TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 6 - RISK POOL MANAGEMENT:- (continued)

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

Financial Position

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

<u>Casualty Coverage</u>	
Assets	\$ 28,132,620
Liabilities	(11,086,379)
Retained earnings	\$ <u>17,046,241</u>
<u>Property Coverage</u>	
Assets	\$ 7,588,343
Liabilities	(543,176)
Retained earnings	\$ <u>7,045,167</u>



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Lykens Township
Crawford County

We have audited the accompanying financial statements of Lykens Township, Crawford County, Ohio (the Township), as of and for the year ended December 31, 2004, and have issued our report thereon dated March 5, 2007, wherein we noted the Township had followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2004-001, 2004-002, and 2004-003. We also noted other matters that we have reported to management in a separate letter dated May 5, 2007.

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

The image shows a handwritten signature in black ink that reads "Shullbrook & Manton". The script is cursive and elegant, with the ampersand being particularly stylized.

Certified Public Accountants

March 5, 2007

**LYKENS TOWNSHIP
CRAWFORD COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

Finding Number	2004-001
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Noncompliance Citation – Expenditures Exceed Appropriations

Ohio Revised Code, Section 5705.41 (C), requires that no subdivision or taxing unit is to expend money unless it has been appropriated. In addition, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Clerk that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

During compliance testing, it was noted that the budgetary expenditures exceeded appropriations throughout the year for the General Fund line (Note 3 of financial statements). This condition limits the effectiveness of the Township's compliance and budgetary controls and may result in overspending of the available funds. To prevent this from occurring, we recommend the Clerk deny payment request or purchase orders exceeding appropriations until the Township Trustees approves an increase to appropriations through a resolution and the Clerk then prepares an amendment to the original appropriation of expenditures.

Officials' Response

The Township is currently addressing the above issue and plans to improve the monitoring of this condition.

Finding Number	2004-002
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Noncompliance Citation – Appropriations Exceeding Estimated Resources

Ohio Revised Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue as certified by the county budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

We recommend the Township Trustees and Clerk periodically review the Township's appropriations versus certified estimated resources to identify and investigate any variances and to help monitor legal compliance. The Township Trustees should verify that the Township has properly prepared and submitted all required budgetary documents to the county auditor. Also, each time appropriations are adopted or amended the Township should verify the certificate of the County Auditor is received indicating appropriations do not exceed certified resources.

**LYKENS TOWNSHIP
CRAWFORD COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

Finding Number	2004-003
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Noncompliance Citation – Prevailing Wage

Ohio Revised Code, Section 4115.04 and 4115.05, requires a public authority to obtain the prevailing wages in its area before covered contracts are bid and then again when the contract is awarded, if the award is made more ninety days after the original prevailing wage is determined. Such schedule of wages shall be attached to and made part of the specifications for the work and shall be printed on the bidding blanks where the work is done by contract.

We recommend the Township obtain the prevailing wage at the inception of the contract and subsequently ensure that all covered contracts pay the prevailing wage in its area.

Officials' Response

The Township Clerk is reviewing the Township's current policies and procedures regarding the bidding of contracts and the use of prevailing wages as stipulated in the contract.

**LYKENS TOWNSHIP
CRAWFORD COUNTY**
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	ORC 5705.04 and 4115.05 - require public authority to obtain prevailing wages in it area before covered contracts are bid.	No	Not corrected; included as finding 2004-002 in current audit report



Mary Taylor, CPA
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
JUNE 21, 2007