

***JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Johnston Township  
P.O. Box 639  
Cortland, Ohio 44410

We have reviewed the *Report of Independent Accountants* of Johnston Township, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. 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's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the AOS 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 *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the AOS 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. Johnston Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

May 10, 2007

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**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2005 and 2004**

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*Charles E. Harris & Associates, Inc.*  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

Johnston Township  
Trumbull County  
P.O. Box 639  
Cortland, Ohio 44410

To the Board of Trustees:

We have audited the accompanying financial statements of Johnston Township, Trumbull County (the Township), as and for the years ended December 31, 2005 and 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 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 that our audit provides 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure its financial statement amounts, 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, 2005 and 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, 2005 and 2004, 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 and reserves for encumbrances of Johnston Township as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

***Charles E. Harris & Associates, Inc.***  
November 20, 2006

JOHNSTON TOWNSHIP  
TRUMBULL COUNTY  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND FIDUCIARY FUNDS  
For the Year Ended December 31, 2005

	Governmental Fund Types			Fiduciary	(Memorandum Only) Total	
	General	Special Revenue	Debt Service	Capital Projects		Fund Type Expendable Trust
<b>Receipts:</b>						
Property and Other Local Taxes	\$ 79,794	\$ 106,555	\$ -	\$ -	\$ -	\$ 186,349
Charges for Services	24,750	110,092	-	-	-	134,842
Licenses, permits and fees	2,815	6,686	-	-	-	9,501
Fines and Forfeitures	604	-	-	-	-	604
Intergovernmental	49,349	94,838	-	101,697	-	245,884
Earnings on Investments	9,004	826	-	-	11	9,841
Miscellaneous	38,525	5,288	8,249	-	-	52,062
<b>Total Receipts</b>	<b>204,841</b>	<b>324,285</b>	<b>8,249</b>	<b>101,697</b>	<b>11</b>	<b>639,083</b>
<b>Disbursements:</b>						
<b>Current:</b>						
General Government	111,977	-	-	-	-	111,977
Public Safety	51,136	197,305	-	-	-	248,441
Public Works	-	63,435	-	-	-	63,435
Health	6,984	4,331	-	-	100	11,415
Conservation-Recreation	6,462	-	-	-	-	6,462
Capital Outlay	27,668	26,015	-	101,697	-	155,380
<b>Debt Service:</b>						
Principal Retirement	-	46,916	16,409	-	-	63,325
Interest & Fiscal Charges	-	12,482	1,482	-	-	13,964
<b>Total Cash Disbursements</b>	<b>204,227</b>	<b>350,484</b>	<b>17,891</b>	<b>101,697</b>	<b>100</b>	<b>674,399</b>
<b>Excess of Cash Receipts Over/(Under) Cash Disbursements</b>	<b>614</b>	<b>(26,199)</b>	<b>(9,642)</b>	<b>-</b>	<b>(89)</b>	<b>(35,316)</b>
<b>Other Financing Sources/(Uses):</b>						
Other Sources	57	-	-	-	-	57
<b>Total Other Financing Sources/(Uses)</b>	<b>57</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57</b>
<b>Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</b>	<b>671</b>	<b>(26,199)</b>	<b>(9,642)</b>	<b>-</b>	<b>(89)</b>	<b>(35,259)</b>
<b>Fund Balance January 1, 2005</b>	<b>135,856</b>	<b>209,726</b>	<b>9,699</b>	<b>-</b>	<b>3,545</b>	<b>358,826</b>
<b>Fund Balance December 31, 2005</b>	<b>\$ 136,527</b>	<b>\$ 183,527</b>	<b>\$ 57</b>	<b>\$ -</b>	<b>\$ 3,456</b>	<b>\$ 323,567</b>
<b>Reserve for Encumbrances, December 31, 2005</b>	<b>\$ 9,500</b>	<b>\$ 14,838</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 24,338</b>

See accompanying Notes to the Financial Statements.



**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND FIDUCIARY FUNDS  
For the Year Ended December 31, 2004**

	Governmental Fund Types			Fiduciary Fund Type	(Memorandum Only) Total
	General	Special Revenue	Debt Service	Expendable Trust	
<b>Receipts:</b>					
Property and Other Local Taxes	\$ 94,192	\$ 101,571	\$ 831	\$ -	\$ 196,594
Charges for Services	-	134,325	-	-	134,325
Licenses, permits and fees	1,824	4,090	-	-	5,914
Fines and Forfeitures	1,351	-	-	-	1,351
Intergovernmental	57,083	82,737	-	-	139,820
Earnings on Investments	4,482	411	-	3	4,896
Miscellaneous	30,957	7,026	4,000	-	41,983
<b>Total Receipts</b>	<b>189,889</b>	<b>330,160</b>	<b>4,831</b>	<b>3</b>	<b>524,883</b>
<b>Disbursements:</b>					
<b>Current:</b>					
General Government	112,704	-	-	-	112,704
Public Safety	33,688	220,172	-	-	253,860
Public Works	-	53,049	-	-	53,049
Health	1,011	12,235	-	40	13,286
Conservation-Recreation	5,716	-	-	-	5,716
Capital Outlay	9,331	113,824	-	-	123,155
<b>Debt Service:</b>					
Principal Retirement	-	208,688	22,011	-	230,699
Interest & Fiscal Charges	-	27,361	3,803	-	31,164
<b>Total Cash Disbursements</b>	<b>162,450</b>	<b>635,329</b>	<b>25,814</b>	<b>40</b>	<b>823,633</b>
<b>Excess of Cash Receipts Over/(Under) Cash Disbursements</b>	<b>27,439</b>	<b>(305,169)</b>	<b>(20,983)</b>	<b>(37)</b>	<b>(298,750)</b>
<b>Other Financing Sources/(Uses):</b>					
Sale of Fixed Assets	-	34,000	-	-	34,000
Proceeds of Loans	-	318,258	-	-	318,258
Other Sources	178	-	-	-	178
<b>Total Other Financing Sources/(Uses)</b>	<b>178</b>	<b>352,258</b>	<b>-</b>	<b>-</b>	<b>352,436</b>
<b>Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</b>	<b>27,617</b>	<b>47,089</b>	<b>(20,983)</b>	<b>(37)</b>	<b>53,686</b>
<b>Fund Balance January 1, 2004</b>	<b>108,239</b>	<b>162,637</b>	<b>30,682</b>	<b>3,582</b>	<b>305,140</b>
<b>Fund Balance December 31, 2004</b>	<b>\$ 135,856</b>	<b>\$ 209,726</b>	<b>\$ 9,699</b>	<b>\$ 3,545</b>	<b>\$ 358,826</b>
<b>Reserve for Encumbrances, December 31, 2004</b>	<b>\$ 216</b>	<b>\$ 4,375</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,023</b>

See accompanying Notes to the Financial Statements.

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

Johnston Township, Trumbull County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees and a publicly-elected Clerk. The Township provides general governmental services, including road and bridge maintenance and cemetery maintenance.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

**B. BASIS OF ACCOUNTING**

The Township prepares its financial statements following 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

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

**C. CASH**

Investments are included in the fund cash balances. 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.

**D. FUND ACCOUNTING**

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Fund Types:**

**General Fund:** The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** – (continued)

**Governmental Fund Types** – (continued)

**Special Revenue Funds**: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township has the following significant Special Revenue funds:

- *Gasoline Tax Fund* – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.
- *Special Fire Levy Fund* – This fund receives property taxes used in the operation of the Township’s volunteer fire department.
- *Emergency Vehicle Fund* – This receives property taxes and charges for services used to operate the Township’s ambulance service.

**Debt Service Fund**: This fund accounts for resources the Township accumulates to pay general note debt. There is only one Debt Service fund.

**Capital Project Funds**: This fund accounts for receipts restricted for acquiring or constructing major governmental capital projects. The Township had the following significant Capital Project Fund:

- *Irishtown Southworth Upgrade* – The Township received a grant from the State of Ohio for a safety upgrade to Irishtown Southworth road.

**Fiduciary Fund Type**: This fund is used to account for resources restricted by a legally binding trust agreement. The Township had the following significant Fiduciary Fund:

- *Cemetery Expendable Trust* – This fund accounts for resources restricted by a legally binding trust agreement. The agreement requires the Township to maintain the certain cemetery plots.

E. **BUDGETARY PROCESS**

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. **Estimated Resources**

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The county budget commission approves the certificate of estimated resources.

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**E. BUDGETARY PROCESS - (continued)**

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate and submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2004 and 2005. However, those fund balances are available for appropriation.

**2. Appropriations**

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**3. Encumbrances**

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Township's legal level of control is the function level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding year without being re-appropriated.

**F. PROPERTY, PLANT AND EQUIPMENT**

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

**G. ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

**2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

	2004	2005
Demand Deposit	\$ 8,922	\$ (22,659)
Repurchase Agreement	133,478	120,054
Certificates of Deposit	3,025	3,025
STAR Ohio	213,401	223,147
<b>Total Deposits and Investments</b>	<b>\$ 358,826</b>	<b>\$ 323,567</b>

**Deposits:** Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

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

The negative demand deposits are due to the temporary, overnight repurchase agreements.

**3. PROPERTY TAXES**

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2004.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Township. The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

<b>2005 Budgeted vs Actual Budgetary Basis Expenditures</b>			
<b>Funds</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 361,992	\$ 213,727	\$ 148,265
Special Revenue	549,571	365,322	184,249
Debt Service	26,163	17,891	8,272
Capital Projects	135,000	101,697	33,303
Expendable Trust	3,605	100	3,505
<b>Total</b>	<b>\$ 1,076,331</b>	<b>\$ 698,737</b>	<b>\$ 377,594</b>

<b>2004 Budgeted vs Actual Budgetary Basis Expenditures</b>			
<b>Funds</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 304,815	\$ 162,666	\$ 142,149
Special Revenue	453,905	639,704	(185,799)
Debt Service	82,977	25,814	57,163
Expendable Trust	3,675	40	3,635
<b>Total</b>	<b>\$ 845,372</b>	<b>\$ 828,224</b>	<b>\$ 17,148</b>

<b>2005 Budgeted vs Actual Receipts</b>			
<b>Funds</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 227,984	\$ 204,898	\$ (23,086)
Special Revenue	344,815	324,285	(20,530)
Debt Service	16,464	8,249	(8,215)
Capital Projects	135,000	101,697	(33,303)
Expendable Trust	60	11	(49)
<b>Total</b>	<b>\$ 724,323</b>	<b>\$ 639,140</b>	<b>\$ (85,183)</b>

<b>2004 Budgeted vs Actual Receipts</b>			
<b>Funds</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 196,576	\$ 190,067	\$ (6,509)
Special Revenue	291,270	682,418	391,148
Debt Service	52,295	4,831	(47,464)
Expendable Trust	93	3	(90)
<b>Total</b>	<b>\$ 540,234</b>	<b>\$ 877,319</b>	<b>\$337,085</b>

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

**5. DEBT**

Debt outstanding at December 31, 2005 is as follows:

	Principal	Interest Rate
Lease Purchase	\$ 278,258	3.60%
Ohio Public Works Commission	39,990	0.00%
Total	318,248	

The Township entered into a lease purchase agreement in 2004 to purchase a new ambulance and to refinance the 2001 lease purchase of a pumper truck and the 2001 loan for an ambulance. The Ohio Public Works Commission issued a loan to the Township to finance a safety upgrade to Love Warner Road. The Township's taxing authority collateralized the lease and the OPWC loan.

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

	Lease Purchase Agreement	Ohio Public Works Commission Loan
Year ending December 31:		
2006	\$ 51,483	\$ 6,665
2007	55,363	6,665
2008	53,675	6,665
2009	51,988	6,665
2010	55,300	6,665
2011-2012	53,150	6,665
Total	\$ 320,959	\$ 39,990

**6. RETIREMENT SYSTEM**

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, 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.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their gross pay while the Township contributed an amount equal to 13.55% of covered payroll. The Township paid all required contributions through 2005.

**7. RISK 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 townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004

7. RISK MANAGEMENT - (continued)

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

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

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

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

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

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

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



**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2005 and 2004**

**7. RISK MANAGEMENT - (continued)**

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

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 30,485,638	\$ 28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$ 18,141,062</u>	<u>\$ 17,046,241</u>
<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 9,177,796	\$ 7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$ 7,771,765</u>	<u>\$ 7,045,167</u>

The casualty coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$19,780.

**8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

**9. LEGAL COMPLIANCE**

Pursuant to Section 117.11(A) of the Revised Code, we performed tests of compliance with provisions of local, state, and /or federal laws, as applicable. The auditor's report on the Village's compliance with the Ohio Revised Code and internal control structure comments are included in this report under a separate part of this presentation.

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*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

**Johnston Township  
Trumbull County  
P.O. Box 639  
Cortland, Ohio 44410**

**To the Board of Trustees:**

We have audited the financial statements of Johnston Township, Trumbull County, Ohio, (the Township) as and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 20, 2006, wherein we noted the Township follows accounting practices the Auditor of State 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Controls Over Financial Reporting**

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated November 20, 2006.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2005-JTTC-01 and 02.

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

*Charles E. Harris & Associates, Inc.*

November 20, 2006

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2005 and 2004**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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**FINDING NUMBER 2005- JTTC-01 – Non-compliance Citation**

Ohio Revised Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

During our audit, we noted the Township Trustees passed a temporary and annual appropriation measure. However, the document submitted to the county auditor was in the form of an amended certificate of estimated resources instead of in the form of an appropriation measure. In so doing, the county budget commission had difficulty deciphering what were the estimated resources and the appropriations. We recommend that the Township submit documents titled "Temporary Appropriation" or "Annual Appropriation Measure" to the budget commission in order to ensure the Township is in compliance with Ohio Revised Code Section 5705.38.

Management indicated that they will properly prepare the appropriations in a clear manner to submit to the county budget commission.

**FINDING NUMBER 2005-JTTC-02 – Non-compliance Citation**

Ohio Rev. Code Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

We noted the following funds had expenditures that exceeded appropriations at the fund level at December 31, 2004: Special Revenue – Emergency Vehicle Fund (\$90,356) and Special Revenue – Fire Operating Fund (\$152,492). The Township's legal level of control violations were not disclosed since they were cited at the fund level.

We recommend that the Board of Trustees and the Clerk compare expenditures to appropriations on a regular basis. If additional appropriations are needed, then the Board and the Clerk should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations.

Management indicated this was an isolated incidence due to the refinancing of prior year loans.

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**  
For the Years Ending December 31, 2005 and 2004

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2003-001	ORC 5705.41 –Failure to properly certify funds when incurring a commitment.	Yes	Finding no longer valid.
N/A	Ambulance billing internal control report.	Yes	Township receives adequate internal control verification.





**Mary Taylor, CPA**  
Auditor of State

**JOHNSTON TOWNSHIP**

**TRUMBULL 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 22, 2007**