



Dave Yost • Auditor of State

JOHNSTON TOWNSHIP
TRUMBULL COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

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 Johnston Township, Trumbull 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.

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

As described in Note 1 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles – (Continued)

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 Johnston Township, Trumbull 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 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the Township had prior period adjustments that affected Special Revenue funds, Debt Service Fund, and General Fund fund balances. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 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.



Dave Yost
Auditor of State
Columbus, Ohio

September 27, 2016

**JOHNSTON TOWNSHIP
TRUMBULL 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	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$91,584	\$103,409		\$194,993
Charges for Services		260,551		260,551
Licenses, Permits and Fees	17,448	3,963		21,411
Intergovernmental	59,729	92,943		152,672
Earnings on Investments	2,571	416		2,987
Miscellaneous	9,752	2,855		12,607
<i>Total Cash Receipts</i>	<u>181,084</u>	<u>464,137</u>		<u>645,221</u>
Cash Disbursements				
Current:				
General Government	143,595			143,595
Public Safety	1,779	317,955		319,734
Public Works		77,257		77,257
Health	3,898	7,551		11,449
Conservation-Recreation	54,967			54,967
Capital Outlay	21,924	1,628		23,552
Debt Service:				
Principal Retirement		17,190		17,190
Interest and Fiscal Charges		1,937		1,937
<i>Total Cash Disbursements</i>	<u>226,163</u>	<u>423,518</u>		<u>649,681</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(45,079)</u>	<u>40,619</u>		<u>(4,460)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	90			90
<i>Total Other Financing Receipts (Disbursements)</i>	<u>90</u>	<u>0</u>		<u>90</u>
<i>Net Change in Fund Cash Balances</i>	(44,989)	40,619		(4,370)
<i>Fund Cash Balances, January 1 (Restated - Note 8)</i>	<u>436,162</u>	<u>224,013</u>	<u>\$852</u>	<u>661,027</u>
Fund Cash Balances, December 31				
Restricted		264,632	852	265,484
Unassigned (Deficit)	391,173			391,173
<i>Fund Cash Balances, December 31</i>	<u>\$391,173</u>	<u>\$264,632</u>	<u>\$852</u>	<u>\$656,657</u>

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

**JOHNSTON TOWNSHIP
TRUMBULL 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	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$83,372	\$100,881		\$184,253
Charges for Services	0	221,594		221,594
Licenses, Permits and Fees	17,231	3,895		21,126
Intergovernmental	50,470	110,373		160,843
Earnings on Investments	2,692	358		3,050
Miscellaneous	44,014	2,918		46,932
<i>Total Cash Receipts</i>	<u>197,779</u>	<u>440,019</u>		<u>637,798</u>
Cash Disbursements				
Current:				
General Government	141,871			141,871
Public Safety	2,370	318,229		320,599
Public Works		78,513		78,513
Health	2,792	6,387		9,179
Human Services		10,000		10,000
Conservation-Recreation	9,912			9,912
Capital Outlay	69,852	6,203		76,055
Debt Service:				
Principal Retirement		21,826		21,826
Interest and Fiscal Charges		2,977		2,977
<i>Total Cash Disbursements</i>	<u>226,797</u>	<u>444,135</u>		<u>670,932</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(29,018)</u>	<u>(4,116)</u>		<u>(33,134)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	360			360
<i>Total Other Financing Receipts (Disbursements)</i>	<u>360</u>	<u>0</u>		<u>360</u>
<i>Net Change in Fund Cash Balances</i>	<u>(28,658)</u>	<u>(4,116)</u>		<u>(32,774)</u>
<i>Fund Cash Balances, January 1 (Restated - Note 8)</i>	<u>464,720</u>	<u>228,129</u>	<u>\$852</u>	<u>693,701</u>
Fund Cash Balances, December 31				
Restricted		224,013	852	224,865
Unassigned (Deficit)	436,062			436,062
<i>Fund Cash Balances, December 31</i>	<u>\$436,062</u>	<u>\$224,013</u>	<u>\$852</u>	<u>\$660,927</u>

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

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Johnston Township, Trumbull 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, fire protection and emergency medical services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provide additional information for this entity. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members.

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

B. Accounting Basis

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.

C. 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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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:

Special Fire Levy Fund - This fund receives property tax money used in the operation of the Township's volunteer fire department.

Emergency Vehicle Services Fund - This fund receives property tax money and charges for services used to operate the Township's ambulance service.

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

3. Capital Project Fund

This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Township had the following significant capital project fund.

Stoddard Hayes Resurfacing Fund - The Township received grants to be used for resurfacing of Stoddard Hayes Road.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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.

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED 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:

	2015	2014
Demand deposits	\$524,571	\$560,496
Certificates of deposit	3,025	3,025
Total deposits	527,596	563,521
STAR Ohio	129,061	97,406
Total deposits and investments	\$656,657	\$660,927

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$159,023	\$181,174	\$22,151
Special Revenue	467,819	464,137	(3,682)
Capital Projects	255,290	0	(255,290)
Total	\$882,132	\$645,311	(\$236,821)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$598,100	\$226,163	\$371,937
Special Revenue	426,682	423,518	3,164
Capital Projects	255,200	0	255,200
Total	\$1,279,982	\$649,681	\$630,301

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$162,646	\$198,139	\$35,493
Special Revenue	488,510	440,019	(48,491)
Total	\$651,156	\$638,158	(\$12,998)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$627,366	\$226,797	\$400,569
Special Revenue	716,709	444,135	272,574
Capital Projects	852	0	852
Total	\$1,344,927	\$670,932	\$673,995

4. PROPERTY TAX

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.

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Middlefield Bank Ambulance Loan	\$45,749	3%

In 2013, the Township obtained a five-year loan from Middlefield Bank to finance the purchase of an ambulance with semi-annual payments of \$9,563.

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. DEBT – (Continued)

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

Year ending December 31:	Middlefield Bank Loan
2016	<u>\$19,126</u>
2017	19,126
2018	<u>9,563</u>
Total	<u><u>\$47,815</u></u>

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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.

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.

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.

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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, 2015 and 2014

	<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 \$9,800.

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>
\$18,512	\$35,513

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.

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. PRIOR PERIOD ADJUSTMENTS

As noted in Finding 2015-001, the Township improperly established and accounted for an ambulance bank loan in the Debt Service, instead of in the Emergency Vehicle Fund. In addition, because the transfer of monies from the Emergency Vehicle Fund to the Debt Service Fund was not for the exact bank loan disbursement amount, the Debt Service Fund had a fund balance of \$2,204 at December 31, 2013 that belongs to the Emergency Vehicle Fund. Therefore, the following restatement to prior year fund balances on the financial statement was needed for these fund types:

	Special	
	Revenue	Debt
Fund cash balance,		
December 31, 2013	\$ 225,925	\$ 2,204
Adjustment	2,204	(2,204)
Fund cash balance,		
January 1, 2014	\$ 228,129	\$ -

The Township issued a check for \$100 in 2014. The check was lost by the payee. As a result, in 2015, the Township voided the check, added the amount back to the fund balance in the Township's accounting system, and reissued the check. Therefore, the following restatement to the prior year fund balance on the financial statement was needed.

	General	
	Fund	
Fund cash balance,		
December 31, 2014	\$ 436,062	
Adjustment	100	
Fund cash balance,		
January 1, 2015	\$ 436,162	



Dave Yost • Auditor of State

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

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

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 the cash balances, receipts, and disbursements by fund type of Johnston Township, Trumbull 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 September 27, 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. We also noted 2014 beginning fund balances for the Special Revenue and Debt Service fund types were restated as was 2015 beginning fund balance of the General Fund.

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 opinion 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.

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. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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. We consider findings 2015-001 through 2015-003 described in the accompanying schedule of findings to be material weaknesses.

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. We consider finding 2015-004 described in the accompanying schedule of findings to be a significant deficiency.

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 are described in the accompanying schedule of findings as items 2015-001 and 2015-002.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 27, 2016

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

1. Transfer of Funds

<i>Finding Number</i>	2015-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable interfund transfers. In certain circumstances, which are detailed in Ohio Rev. Code § 5705.14, transfers from funds other than the General Fund may be made by resolution of the taxing authority, passed with a two-thirds affirmative vote. In addition to transfers from the General Fund and those permitted by Ohio Rev. Code § 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Rev. Code § 5705.15.

During fiscal years 2014 and 2015, the Township transferred \$19,126 and \$19,200, respectively, from the Emergency Vehicle Fund to the Debt Service Fund to pay an ambulance bank loan. These transfers do not meet the criteria for proper transfers set forth in Ohio Rev. Code § 5705.14, 5705.15, and 5705.16. Also, as noted in Finding 2015-002, since the ambulance bank loan should have been paid from the Emergency Vehicle Fund, the Township improperly paid the ambulance bank loan from the Debt Service Fund. The Township's financial statements have been updated to eliminate these improper transfers and the Debt Service Fund.

The Township Board of Trustees should review transfers prior to approval to help ensure that they conform to the above Revised Code sections.

Official's Response: The Township did not provide responses.

2. Improper Debt Instrument

<i>Finding Number</i>	2015-002
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Revised Code Chapter 133 allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities; Section 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies; Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, to acquire, improve, or construct; and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

In 2013, the Township had entered into a promissory note with a local bank for the purchase of an ambulance. Due to the fact this debt is a simple bank loan, the note did not meet the requirements set forth in Ohio Revised Code Chapter 133.

**Finding Number 2015-002
 (Continued)**

In 2014 and 2015, the Township improperly paid the ambulance bank loan from the Debt Service Fund, instead of paying it from the Emergency Vehicle Fund. Since the ambulance promissory note was not debt issued under the authority of Ohio Revised Code Chapter 133, the use of a debt fund was not required. The Township's financial statements have been adjusted accordingly.

The Township should only incur debt in the manner allowed by the Ohio Revised Code Chapter 133 and should account for all debt properly.

Official's Response: The Township did not provide responses.

3. Budget Amounts not Posted to Accounting System

<i>Finding Number</i>	2015-003
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MATERIAL WEAKNESS

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing information on budgetary receipts and disbursements.

The Township enters budgetary data for estimated receipts and appropriations. However, the amounts entered do not always agree with the Official Certificate of Estimated Resources or approved appropriations. This can lead to decisions being made on faulty budgetary data and can lead to overspending and creating a negative fund balance if not monitored. The following year-end variances were noted:

2014	Total Receipts from Amended Certificate of Estimated Resources	12/31/2014 Revenue Status Report	Variance
General Fund	\$162,646	\$182,146	\$19,500

2015	Total Receipts from Amended Certificate of Estimated Resources	12/31/2015 Revenue Status Report	Variance
General Fund	\$159,023	\$199,023	\$40,000
Emergency Vehicle Fund	287,499	292,499	5,000

2014	Appropriation Resolution	12/31/2014 Appropriation Status Report	Variance
General Fund	\$627,365	\$627,825	\$460
Emergency Vehicle Fund	324,808	320,950	3,858
Gas Tax Fund	134,689	114,850	19,839

**Finding Number 2015-003
 (Continued)**

2015	Appropriation Resolution	12/31/2015 Appropriation Status Report	Variance
General Fund	\$598,100	\$638,284	\$40,184
Emergency Vehicle Fund	307,950	307,994	44
Gas Tax Fund	150,500	150,951	451

The Township should post the approved appropriations and Official Certificate of Estimated Resources to the UAN system by the first of the year. Any amendments to those official documents should be promptly posted to the system upon approval. This may help ensure correct budgetary information and Township decisions can be made on more accurate data.

Official's Response: The Township did not provide responses.

4. Improper Posting of Receipts and Disbursements

<i>Finding Number</i>	2015-004
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SIGNIFICANT DEFICIENCY

Ohio Administrative Code Chapter 117-2-01 provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Internal control means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives for reliability of financial reporting;

The Township lacked procedures over the review of receipt and disbursement transactions which resulted in posting classification errors.

In 2014 and 2015, the Township posted \$16,766 and \$16,724, respectively, received from cable franchise fees as miscellaneous receipts in the General Fund instead of as license, permits and fees receipts as required by the Ohio Township Handbook. The financial statements have been adjusted to properly report this activity.

In addition, in 2014 and 2015, the Township posted \$318,229 and \$317,955, respectively, disbursed from the Fire Levy and Emergency Vehicle Services funds as general government disbursements instead of public safety as required by the Ohio Township Handbook. The financial statements have been adjusted to properly report this activity.

The Township should improve its control procedures to help ensure all amounts are properly classified in the accounting system and related financial statements.

Official's Response: The Township did not provide responses.

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**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-JTT-01	Debt and Revenue Reclassifications	Partially	See Finding Number 2015-004
2013-JTT-02	Controls over Integrated Accounting System	No	See Finding Number 2015-003
2013-JTT-03	Expenditures plus Encumbrances exceeded Appropriations	Yes	

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Dave Yost • 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
DECEMBER 22, 2016