



Dave Yost • Auditor of State



**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY  
DECEMBER 31, 2017 AND 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Johnson Township  
Champaign County  
P.O. Box 663  
St. Paris, Ohio 43072

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 Johnson Township, Champaign County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

### ***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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Johnson Township, Champaign County as of 2017 and 2016, 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 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, 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

December 14, 2018

**Johnson Township**

Champaign County, Ohio

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2017

|   | General         | Special<br>Revenue | Capital<br>Project | Totals<br>(Memorandum<br>Only) |
|---|-----------------|--------------------|--------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                 |                    |                    |                                |
| Property and Other Local Taxes                        | \$19,568        | \$155,128          |                    | \$174,696                      |
| Licenses, Permits and Fees                            | 1,341           |                    |                    | 1,341                          |
| Intergovernmental                                     | 15,613          | 161,988            |                    | 177,601                        |
| Special Assessments                                   |                 | 2,968              |                    | 2,968                          |
| Earnings on Investments                               | 4,123           | 3,818              |                    | 7,941                          |
| Miscellaneous   | 2,979           | 13                 |                    | 2,992                          |
| <i>Total Cash Receipts</i>                            | <u>43,624</u>   | <u>323,915</u>     |                    | <u>367,539</u>                 |
| <b>Cash Disbursements</b>                             |                 |                    |                    |                                |
| Current:  |                 |                    |                    |                                |
| General Government                                    | 55,149          |                    |                    | 55,149                         |
| Public Works  |                 | 296,134            |                    | 296,134                        |
| Health  | 9,723           |                    |                    | 9,723                          |
| Capital Outlay  |                 | 5,574              | \$20,699           | 26,273                         |
| <i>Total Cash Disbursements</i>                       | <u>64,872</u>   | <u>301,708</u>     | <u>20,699</u>      | <u>387,279</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>(21,248)</u> | <u>22,207</u>      | <u>(20,699)</u>    | <u>(19,740)</u>                |
| <b>Other Financing Receipts (Disbursements)</b>       |                 |                    |                    |                                |
| Transfers In  |                 | 11,453             |                    | 11,453                         |
| Transfers Out   |                 | (11,453)           |                    | (11,453)                       |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>0</u>        | <u>0</u>           | <u>0</u>           | <u>0</u>                       |
| <i>Net Change in Fund Cash Balances</i>               | (21,248)        | 22,207             | (20,699)           | (19,740)                       |
| <i>Fund Cash Balances, January 1</i>                  | <u>57,466</u>   | <u>1,593,511</u>   | <u>20,699</u>      | <u>1,671,676</u>               |
| <b>Fund Cash Balances, December 31</b>                |                 |                    |                    |                                |
| Restricted  |                 | 1,320,618          |                    | 1,320,618                      |
| Committed   |                 | 295,100            |                    | 295,100                        |
| Assigned  | 5,696           |                    |                    | 5,696                          |
| Unassigned  | 30,522          |                    |                    | 30,522                         |
| <i>Fund Cash Balances, December 31</i>                | <u>\$36,218</u> | <u>\$1,615,718</u> |                    | <u>\$1,651,936</u>             |

See accompanying notes to the basic financial statements

**Johnson Township**  
*Champaign County, Ohio*  
*Statement of Receipts, Disbursements*  
*and Change in Fund Balance (Regulatory Cash Basis)*  
*Fiduciary Fund*  
*For the Year Ended December 31, 2017*

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|   | <u>Agency</u>     |
|---|-------------------|
| <b>Operating Cash Receipts</b>            |                   |
| Miscellaneous                             | <u>\$5,008</u>    |
| <i>Total Operating Cash Receipts</i>      | <u>5,008</u>      |
| <b>Operating Cash Disbursements</b>       |                   |
| Other                                     | <u>6,756</u>      |
| <i>Total Operating Cash Disbursements</i> | <u>6,756</u>      |
| <i>Operating Income</i>                   | <u>(1,748)</u>    |
| <i>Fund Cash Balance, January 1</i>       | <u>1,748</u>      |
| <i>Fund Cash Balance, December 31</i>     | <u><u>\$0</u></u> |

*See accompanying notes to the basic financial statements*



**JOHNSON TOWNSHIP**  
*Champaign County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Johnson Township, Champaign 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. Johnson Saint Paris (JSP) Fire District provides fire and emergency medical services.

***Jointly Governed Organization and Public Entity Risk Pool***

The Township participates in 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. Note 6 to the financial statements provide additional information for this entity.

The Township participates in a jointly governed organization, the JSP Fire District. Note 9 to the financial statements provides additional information for this entity.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

***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:

***Road and Bridge Fund*** - This fund receives property tax money from inside millage for constructing, maintaining, and repairing Township roads and bridges.

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

***Outside Road & Bridge Fund*** This fund receives property tax money from outside millage for constructing, maintaining, and repairing Township roads and bridges.

**JOHNSON TOWNSHIP**  
*Champaign County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Capital Project Funds** These funds account 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 capital project fund:

**Permanent Improvement** – This fund received proceeds from the sale of the old township building and other property and is used to pay for capital improvements with an expected useful life of more than five years.

**Fiduciary Funds** Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Township's agency fund accounts for special assessments received from the County Auditor and distributed to the Grandview Heights Civic Association for delinquent water bills.

***Basis of Accounting***

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

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

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Appropriations lapse at year-end.

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

**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 re-appropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

The Township has a checking account and certificates of deposit. The Township does not have any investments.

**JOHNSON TOWNSHIP**  
*Champaign County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

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

**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:

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

**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.

**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.

**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.

**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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

| 2017 Budgeted vs. Actual Receipts |                      |                    |            |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
| General                           | \$66,600             | \$43,624           | (\$22,976) |
| Special Revenue                   | 316,000              | 335,368            | 19,368     |
| Total                             | \$382,600            | \$378,992          | (\$3,608)  |

**JOHNSON TOWNSHIP**  
*Champaign County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 2 - Budgetary Activity (Continued)**

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$83,230                   | \$64,872                  | \$18,358  |
| Special Revenue                                       | 984,000                    | 313,161                   | 670,839   |
| Capital Project                                       | 20,699                     | 20,699                    | 0         |
| Total   | \$1,087,929                | \$398,732                 | \$689,197 |

**Note 4 – Deposits**

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

|                         | 2017        |
|-------------------------|-------------|
| Certificates of deposit | \$1,006,743 |
| Demand deposits         | 645,193     |
| Total deposits          | \$1,651,936 |

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Township.

**Note 5 – Property Taxes**

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

Public utilities are also taxed on personal and real property located within the Township.

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

**Note 6 – 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.

**JOHNSON TOWNSHIP**  
*Champaign County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 – Risk Management (Continued)**

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, 2017, 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.

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, 2017.

|              | <b>2017</b>  |
|--------------|--------------|
| Assets       | \$40,010,732 |
| Liabilities  | 8,675,465    |
| Net Position | \$31,335,267 |

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

| <b>2017 Contributions to OTARMA</b> |
|-------------------------------------|
| \$6,440                             |

**JOHNSON TOWNSHIP**  
*Champaign County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 – Risk Management (Continued)**

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.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

**Note 8 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Note 9 - Jointly Governed Organization**

The JSP Fire District is a jointly governed organization. A five-member Board of Trustees governs the District. One represents the Village of St. Paris; one represents Johnson Township; and three members at-large. The District provides fire protection, rescue services, and EMS services within the District and by contract to areas outside the District.

**Johnson Township**

Champaign County, Ohio

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

|  | General         | Special<br>Revenue | Capital<br>Project | Totals<br>(Memorandum<br>Only) |
|--|-----------------|--------------------|--------------------|--------------------------------|
| <b>Cash Receipts</b>                                 |                 |                    |                    |                                |
| Property and Other Local Taxes                       | \$18,625        | \$126,573          |                    | \$145,198                      |
| Licenses, Permits and Fees                           | 11,009          |                    |                    | 11,009                         |
| Intergovernmental                                    | 23,561          | 169,970            |                    | 193,531                        |
| Special Assessments                                  |                 | 2,800              |                    | 2,800                          |
| Earnings on Investments                              | 1,068           | 571                |                    | 1,639                          |
| Miscellaneous  | 3,291           | 52                 |                    | 3,343                          |
| <i>Total Cash Receipts</i>                           | <u>57,554</u>   | <u>299,966</u>     |                    | <u>357,520</u>                 |
| <b>Cash Disbursements</b>                            |                 |                    |                    |                                |
| Current:   |                 |                    |                    |                                |
| General Government                                   | 109,374         |                    |                    | 109,374                        |
| Public Works   |                 | 110,413            |                    | 110,413                        |
| Health   | 432             |                    |                    | 432                            |
| Capital Outlay                                       |                 | 4,268              |                    | 4,268                          |
| <i>Total Cash Disbursements</i>                      | <u>109,806</u>  | <u>114,681</u>     |                    | <u>224,487</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(52,252)</u> | <u>185,285</u>     |                    | <u>133,033</u>                 |
| <i>Fund Cash Balances, January 1</i>                 | <u>109,718</u>  | <u>1,408,226</u>   | <u>\$20,699</u>    | <u>1,538,643</u>               |
| <b>Fund Cash Balances, December 31</b>               |                 |                    |                    |                                |
| Restricted   |                 | 1,293,585          | 20,699             | 1,314,284                      |
| Committed  |                 | 299,926            |                    | 299,926                        |
| Assigned   | 16,630          |                    |                    | 16,630                         |
| Unassigned   | 40,836          |                    |                    | 40,836                         |
| <i>Fund Cash Balances, December 31</i>               | <u>\$57,466</u> | <u>\$1,593,511</u> | <u>\$20,699</u>    | <u>\$1,671,676</u>             |

See accompanying notes to the basic financial statements

**Johnson Township**  
*Champaign County, Ohio*  
*Statement of Receipts, Disbursements*  
*and Change in Fund Balance (Regulatory Cash Basis)*  
*Fiduciary Fund*  
*For the Year Ended December 31, 2016*

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|   | <u>Agency</u>         |
|---|-----------------------|
| <b>Operating Cash Receipts</b>            |                       |
| Miscellaneous                             | <u>\$14,445</u>       |
| <i>Total Operating Cash Receipts</i>      | <u>14,445</u>         |
| <b>Operating Cash Disbursements</b>       |                       |
| Other                                     | <u>14,076</u>         |
| <i>Total Operating Cash Disbursements</i> | <u>14,076</u>         |
| <i>Operating Income</i>                   | <u>369</u>            |
| <i>Fund Cash Balance, January 1</i>       | <u>1,379</u>          |
| <i>Fund Cash Balance, December 31</i>     | <u><u>\$1,748</u></u> |

*See accompanying notes to the basic financial statements*



**JOHNSON TOWNSHIP**  
*Champaign County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Johnson Township, Champaign 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. Johnson Saint Paris (JSP) Fire District provides fire and emergency medical services.

***Jointly Governed Organization and Public Entity Risk Pool***

The Township participates in 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. Note 6 to the financial statements provide additional information for this entity.

The Township participates in a jointly governed organization, the JSP Fire District. Note 9 to the financial statements provides additional information for this entity.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

***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:

***Road and Bridge Fund*** - This fund receives property tax money from inside millage for constructing, maintaining, and repairing Township roads and bridges.

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

***Outside Road & Bridge Fund*** This fund receives property tax money from outside millage for constructing, maintaining, and repairing Township roads and bridges.

**JOHNSON TOWNSHIP**  
*Champaign County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Capital Project Funds** These funds account 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 capital project fund:

**Permanent Improvement** – This fund received proceeds from the sale of the old township building and other property and is used to pay for capital improvements with an expected useful life of more than five years.

**Fiduciary Funds** Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Township's agency fund accounts for special assessments received from the County Auditor and distributed to the Grandview Heights Civic Association for delinquent water bills.

***Basis of Accounting***

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

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

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Appropriations lapse at year-end.

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

**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 re-appropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

***Deposits and Investments***

The Township only has a checking account and no investments.

***Capital Assets***

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

**JOHNSON TOWNSHIP**  
*Champaign County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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:

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

***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.

***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.

***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.

***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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

| 2016 Budgeted vs. Actual Receipts |                      |                    |             |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance    |
| General                           | \$117,600            | \$57,554           | (\$60,046)  |
| Special Revenue                   | 366,300              | 299,966            | (66,334)    |
| Total                             | \$483,900            | \$357,520          | (\$126,380) |

**JOHNSON TOWNSHIP**  
*Champaign County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 3 – Budgetary Activity (Continued)**

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$147,000                  | \$109,806                 | \$37,194  |
| Special Revenue                                       | 967,000                    | 114,681                   | 852,319   |
| Total   | \$1,114,000                | \$224,487                 | \$889,513 |

**Note 4 – Deposits**

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

|                 |             |
|-----------------|-------------|
|                 | 2016        |
| Demand deposits | \$1,673,424 |

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Township.

**Note 5 – Property Taxes**

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

Public utilities are also taxed on personal and real property located within the Township.

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

**Note 6 – 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.

**JOHNSON TOWNSHIP**  
*Champaign County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 6 – Risk Management (Continued)**

**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, 2016, 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.

**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, 2016:

|              | <b><u>2016</u></b> |
|--------------|--------------------|
| Assets       | \$38,473,283       |
| Liabilities  | 8,244,140          |
| Net Position | \$30,229,143       |

At December 31, 2016, the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

| <b>2016 Contributions to OTARMA</b> |
|-------------------------------------|
| \$6,534                             |

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

**JOHNSON TOWNSHIP**  
*Champaign County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Note 8 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**Note 9 - Jointly Governed Organization**

The JSP Fire District is a jointly governed organization. A five-member Board of Trustees governs the District. One represents the Village of St. Paris; one represents Johnson Township; and three members at-large. The District provides fire protection, rescue services, and EMS services within the District and by contract to areas outside the District.



# 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*

Johnson Township  
Champaign County  
P.O. Box 663  
St. Paris, Ohio 43072

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 Johnson Township, Champaign County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 14, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

***Township's Response to Finding***

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Township's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 14, 2018



JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

**Noncompliance and Material Weakness**

**Ohio Rev. Code § 5705.10(A)** states, all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

**Ohio Rev. Code § 5705.10(C)** states, all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

**Ohio Rev. Code § 5705.10(D)** provides, in part, that all revenue derived from a source other than the general property tax, and which the law prescribes shall be used for a particular purpose, is to be paid into a special fund for such purpose.

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board (GASB) Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* established criteria for reporting governmental fund balances based upon constraints placed upon the use of the resources reported in the governmental funds. The five classifications are non-spendable, restricted, committed, assigned, and unassigned.

Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* paragraph 73 (GASB codification 1300.114) states, Agency funds should be used to report resources held by the reporting government in a purely custodial capacity. Agency funds typically involve only receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

The following misstatements occurred on the Township’s financial statements and accounting records:

- In 2016, property tax receipts were not posted at gross distributions in accordance with the levy allocations from the County Auditor. Additionally, homestead and rollback receipts were not posted in accordance with the levy allocation which led to overstated property tax receipts, understated intergovernmental receipts, and understated general government disbursements in the General fund in the amounts of \$18,262, \$2,290 and \$6,784, respectively. Property tax receipts, intergovernmental receipts, and public works disbursement were understated by \$6,158, \$7,363 and \$961 in the Road and Bridge fund; and property tax receipts were overstated and intergovernmental receipts and public works disbursements were understated by \$356, \$6,710, and \$918 in the Outside Road & Bridge fund;
- In 2016, commercial activity tax receipts in the amounts of \$4,811, \$23,042, and \$30,722 in the General, Road and Bridge, and Outside Road & Bridge funds were incorrectly classified as property tax receipts and should have been classified as intergovernmental receipts;

**FINDING NUMBER 2017-001  
(Continued)**

- In 2017 and 2016, the fund balance of the Road and Bridge Fund (\$295,100 and \$299,926, respectively) was classified as restricted fund balance and should have been classified as committed to reflect the internal constraint the Trustees have imposed through the levy of property taxes within the ten-mill limitation for the repair and maintenance of Township roads and bridges in accordance with GASB 54 par. 10 (GASB cod 1800.170);
- The Township's subsequent year appropriation measure exceeded the estimated receipts in the General fund by \$16,630 in 2016. A reclassification was needed to report that amount as assigned fund balance required to meet subsequent year appropriations in accordance with GASB 54 par. 16 (GASB cod. 1800.176). The Township's subsequent year appropriation measure exceeded the estimated receipts by \$5,696 in 2017 and accordingly, a reclassification was needed to report \$30,522 as unassigned instead of assigned; and
- The Township received special assessments for delinquent water bills for the Grandview Heights Civic Association. After distribution from the County Auditor, the Township disbursed the special assessments to the Civic Association. In 2017 and 2016, the Township incorrectly classified the beginning and ending balance, receipts, and disbursements of the activity within the special revenue fund type which should have been classified as an agency fund.

The misstatements noted above are reflected on the accompanying financial statements and have been posted to the Township's accounting records where necessary. In 2017, the newly appointed fiscal officer posted fund balance adjustments to correct 2016 property taxes and various intergovernmental receipts that had been posted to the incorrect funds. In addition to the adjustments and reclassifications listed above, we also identified additional misstatements ranging from \$2 to \$1,839, which we have brought to the Township's attention.

The failure to correctly classify financial activity in the accounting records and financial statements may impact the users' understanding of the financial operations, the Trustees' ability to make sound financial decisions or comply with budgetary laws, and could result in materially misstated reports.

The Township should implement policies and procedures to provide for accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources. Additionally, the Township should review the Ohio Township Handbook Appendix IV and AOS Bulletin 2011-004 for guidance on classification of transactions and requirements of GASB 54.

**Officials' Response**

As a new Fiscal Officer starting February 1, 2017, it became apparent during my on the job training with Richard Ford there were many issues that required attention. Corrections were made for issues in 2016 and 2017 as noted in Finding Number 2017-001. Additionally, corrections for 2018 were completed as needed. I will continue to make process improvements during my term in office.



# Dave Yost • Auditor of State

**JOHNSON TOWNSHIP**

**CHAMPAIGN 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 27, 2018**