



**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**JOHNSTON TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Johnston Township
Trumbull County
PO Box 70
Farmdale, Ohio 44417

To the Board of Trustees:

We have audited the accompanying financial statements of Johnston Township, Trumbull County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Johnston Township, Trumbull County, Ohio, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2000 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 grants.

This report is intended solely for the information and use of the management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 9, 2000

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JOHNSTON TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Governmental Fund Types</u>			<u>Fiduciary Funds</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Nonexpendable Trust</u>	
Cash Receipts:					
Local Taxes	\$49,969	\$54,854	\$43,965		\$148,788
Intergovernmental	48,217	63,053			111,270
Licenses, Permits, and Fees	6,049	5,985			12,034
Fines, Forfeitures, and Penalties	535	192			727
Earnings on Investments	9,201	1,808		145	11,154
Other Revenue	12,486	41,271			53,757
Total Cash Receipts	<u>126,457</u>	<u>167,163</u>	<u>43,965</u>	<u>145</u>	<u>337,730</u>
Cash Disbursements:					
Current:					
General Government	91,249	92,069			183,318
Public Safety	12,551	512			13,063
Public Works	1,117	53,708			54,825
Health	4,259	8,119		50	12,428
Conservation - Recreation	6,321				6,321
Debt Service:					
Redemption of Principal			40,454		40,454
Interest and Fiscal Charges			3,510		3,510
Capital Outlay	7,120	12,599			19,719
Total Cash Disbursements	<u>122,617</u>	<u>167,007</u>	<u>43,964</u>	<u>50</u>	<u>333,638</u>
Total Receipts Over/(Under) Disbursements	<u>3,840</u>	<u>156</u>	<u>1</u>	<u>95</u>	<u>4,092</u>
Fund Cash Balances, January 1	90,761	141,232	55	3,279	235,327
Fund Cash Balances, December 31	<u>\$94,601</u>	<u>\$141,388</u>	<u>\$56</u>	<u>\$3,374</u>	<u>\$239,419</u>

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

**JOHNSTON TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types				Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Nonexpendable Trusts	
Cash Receipts:						
Local Taxes	\$49,533	\$52,891	\$44,539			\$146,963
Intergovernmental	48,711	73,917		326,874		449,502
Licenses, Permits, and Fees	1,937	2,800				4,737
Fines, Forfeitures, and Penalties	2,035	208				2,243
Earnings on Investments	7,987	3,931			166	12,084
Other Revenue	23,812	42,482				66,294
Total Cash Receipts	134,015	176,229	44,540	326,874	166	681,823
Cash Disbursements:						
Current:						
General Government	85,810	56,942				142,752
Public Safety	11,572					11,572
Public Works	769	87,021				87,790
Health	7,648	2,271			170	10,089
Conservation - Recreation	6,632					6,632
Debt Service:						
Redemption of Principal			38,767			38,767
Interest and Fiscal Charges			5,765			5,765
Capital Outlay	6,500			326,874		333,374
Total Cash Disbursements	118,931	146,234	44,532	326,874	170	636,741
Total Receipts Over/(Under) Disbursements	15,084	29,995	8		(4)	45,083
Other Financing Receipts/(Disbursements):						
Advances-In	9,000					9,000
Advances-Out		(9,000)				(9,000)
Total Other Financing Receipts/(Disbursements)	9,000	(9,000)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	24,084	20,995	8		(4)	45,083
Fund Cash Balances, January 1	66,677	120,237	47		3,283	190,244
Fund Cash Balances, December 31	\$90,761	\$141,232	\$55		\$3,279	\$235,327

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

**JOHNSTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The Township had a NOW account and Money Market Savings Account with Mahoning National Bank. The investment in Star Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

Special Levy Fire - This fund receives property tax money for the general operation of the fire department.

**JOHNSTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 - 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness.

5. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had an Issue II Fund which received grants from the State of Ohio for road repairs in the Township.

6. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township maintains four nonexpendable bequest funds.

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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered 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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**JOHNSTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 - 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	41,784	8,215
Certificate of Deposit	3,025	3,025
	44,809	11,240
STAR Ohio	194,610	224,087
	194,610	224,087
Total deposits and investments	\$239,419	\$235,327

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 1998 and 1999 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$113,397	\$126,456	\$13,059
Special Revenue	145,614	167,163	21,549
Debt Service	43,964	43,965	1
Non-Expendable Trust	150	145	(5)
Total	\$303,125	\$337,729	\$34,604

**JOHNSTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 - 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$204,158	\$122,617	\$81,541
Special Revenue	286,846	167,007	119,839
Debt Service	43,964	43,964	0
Non-Expendable Trust	404	50	354
Total	\$535,372	\$333,638	\$201,734

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,001	\$134,015	\$25,014
Special Revenue	126,483	176,229	49,746
Debt Service	45,128	44,540	(588)
Capital Projects	329,431	326,874	(2,557)
Non-Expendable Trust	150	166	16
Total	\$610,193	\$681,824	\$71,631

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$169,954	\$118,931	\$51,023
Special Revenue	183,043	146,234	36,809
Debt Service	45,175	44,532	643
Capital Projects	329,431	326,874	2,557
Non-Expendable Trust	408	170	238
Total	\$728,011	\$636,741	\$91,270

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**JOHNSTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 - 1998
(Continued)**

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note - Fire Tanker	21,000	5.36%
General Obligation Note - Dump Truck	42,857	4.43%
Total	\$63,857	

The general obligation notes were issued to finance the purchase of a new fire tanker and a new dump truck to be used for the Township fire department and road department respectively.

Year ending December 31:	Fire Tanker	Dump - Truck
1999	\$12,272	\$9,388
2000	11,701	9,073
2001	11,124	8,747
2002		8,426
2003		8,105
2004		7,786
2005		7,464
Total	\$35,097	\$58,989

6. RETIREMENT SYSTEMS

The Township's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority. The plan assumes the risk of loss up to the limits of the Township policy. The following risks are covered by the plan:

- Municipal general liability
- Public officials' liability
- Police professional liability
- Municipal automobile
- Municipal property coverage

**JOHNSTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 - 1998
(Continued)**

7. RISK MANAGEMENT (Continued)

The Township has obtained commercial insurance for Error and Omissions.

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Johnston Township
Trumbull County
PO Box 70
Farmdale, Ohio 44417

To the Board of Trustees:

We have audited the accompanying financial statements of Johnston Township, Trumbull County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 1999-41178-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Johnston Township in a separate letter dated June 9, 2000.

Johnston Township
Trumbull County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 9, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-41178-001

1. Noncompliance Citation

Section 5705.41 (D), Revised Code, provides that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Township Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Township Trustees.

Certain liabilities, contracts, and open purchase commitments greater than \$ 1000 were not certified by the Township Clerk and were not encumbered. These commitments were not subsequently approved by the Township Trustees within the aforementioned 30 day time period.

Vouchers selected for a substantive expenditure test for the period were not properly encumbered by the clerk 55% of the time



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OFFICE OF THE AUDITOR

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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
AUGUST 8, 2000**