



**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1998 - 1997**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Village Council  
Village of Johnstown  
Licking County  
129 East Coshocton Street  
Johnstown, Ohio 43031

We have audited the accompanying financial statements of the Village of Johnstown, Licking County, Ohio, (the Village) as of and for the years ended December 31, 1998, and December 31, 1997. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in paragraph four, 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 Village 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.

The financial statements referred to above include disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1 and 99-1. These Technical Bulletins require disclosure of certain matters regarding the "Year 2000" systems-compliance issue. Required disclosure include:

- Any significant amount of resources committed to make systems year 2000 compliant;
- A general description of the Year 2000 issue, including description of the stages of work in process or completed as of the end of the fiscal year to make systems compliant;

The Village did not provide evidence to support the Village's disclosure referring to the remediation of its Utility billing system, as presented in Note 10 to the financial statements.

In our opinion, except for the effects on the Year 2000 disclosure presented in Note 10, if any, as might have been determined had we been able to examine sufficient evidence supporting the Utility billing system's remediation, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1998, and December 31, 1997, 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 September 13, 1999 on our consideration of the Village'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 management, the Village Council, 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.

**JIM PETRO**  
Auditor of State

September 13, 1999

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only) Total</u>
<b>Cash Receipts:</b>					
Local Taxes	\$91,768	\$0	\$0	\$0	\$91,768
Intergovernmental	161,220	201,286	0	119,601	482,107
Special Assessment	0	0	3,898	0	3,898
Fines, Licenses and Permits	73,530	1,113	0	0	74,643
Interest	60,708	6,702	0	0	67,410
Miscellaneous	77,133	13,209	0	0	90,342
<b>Total Cash Receipts</b>	<u>464,359</u>	<u>222,310</u>	<u>3,898</u>	<u>119,601</u>	<u>810,168</u>
<b>Cash Disbursements:</b>					
Security of Persons and Property	398,440	65,871	0	0	464,311
Public Health Service	3,533	0	0	0	3,533
Leisure Time Activities	388	42,053	0	0	42,441
Community Environment	11,318	0	0	0	11,318
Transportation	25,330	82,401	0	0	107,731
General government	167,976	0	0	0	167,976
Capial Outlay	0	52,609	94	218,229	270,932
Debt Service	0	0	21,913	391,163	413,076
<b>Total Cash Disbursements</b>	<u>606,985</u>	<u>242,934</u>	<u>22,007</u>	<u>609,392</u>	<u>1,481,318</u>
<b>Total Cash Receipts over/(under) Cash Disbursements</b>	<u>(142,626)</u>	<u>(20,624)</u>	<u>(18,109)</u>	<u>(489,791)</u>	<u>(671,150)</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Proceeds from Sale of Public Debt					
Sale of Notes	0	0	0	300,000	300,000
Transfers-In	375,034	34,300	0	161,165	570,499
Transfers-Out	(34,300)	(2,316)	0	0	(36,616)
Other Uses	(57,092)	(63,451)	0	(10,276)	(130,819)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>283,642</u>	<u>(31,467)</u>	<u>0</u>	<u>450,889</u>	<u>703,064</u>
<b>Excess of Cash Receipts and Other Financing Receipts over/(under) Cash Disbursements and Other Financing Disbursements</b>	<u>141,016</u>	<u>(52,091)</u>	<u>(18,109)</u>	<u>(38,902)</u>	<u>31,914</u>
<b>Fund Cash Balances, January 1, 1998</b>	<u>447,999</u>	<u>227,675</u>	<u>(16,221)</u>	<u>182,612</u>	<u>842,065</u>
<b>Fund Cash Balances, December 31, 1998</b>	<u><b>\$589,015</b></u>	<u><b>\$175,584</b></u>	<u><b>(\$34,330)</b></u>	<u><b>\$143,710</b></u>	<u><b>\$873,979</b></u>
<b>Reserve for encumbrances, December 31, 1998</b>	<u><b>\$4,262</b></u>	<u><b>\$2,244</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$6,506</b></u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH  
BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only) Total</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,126,156	\$0	\$1,126,156
Miscellaneous	13,426	0	13,426
<b>Total Operating Cash Receipts</b>	<u>1,139,582</u>	<u>0</u>	<u>1,139,582</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	206,894	0	206,894
Employee Fringe Benefits	67,505	0	67,505
Contractual Services	105,012	0	105,012
Supplies and Materials	135,740	0	135,740
Capital Outlay	23,202	0	23,202
Miscellaneous	6,020	0	6,020
<b>Total Operating Cash Disbursements</b>	<u>544,373</u>	<u>0</u>	<u>544,373</u>
Operating Income/(Loss)	595,209	0	595,209
<b>Non-Operating Cash Receipts:</b>			
Local Taxes	0	672,963	672,963
Proceeds from Sale of Public Debt:			
Sale of Notes	100,000	0	100,000
Fines, Licenses, and Permits	0	84,623	84,623
Other Non-Operating Revenues	0	59,407	59,407
<b>Total Non-operating Cash Receipts</b>	<u>100,000</u>	<u>816,993</u>	<u>916,993</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	432,068	0	432,068
Payments from Mayor's Court - Village	0	53,409	53,409
Payments from Mayor's Court - State	0	14,615	14,615
Payments from Mayor's Court - Other	0	9,390	9,390
Contingencies	7,485	0	7,485
Other Non-Operating Disbursements	18,355	139,723	158,078
<b>Total Non-Operating Cash Disbursements</b>	<u>457,908</u>	<u>217,137</u>	<u>675,045</u>
Excess of Revenues Over/(Under) Disbursements Before			
Interfund Transfers	237,301	599,856	837,157
Transfers-Out	0	(533,883)	(533,883)
<b>Net Cash Receipts over/(under) Disbursements</b>	<u>237,301</u>	<u>65,973</u>	<u>303,274</u>
Fund Cash Balances, January 1, 1998	<u>455,785</u>	<u>68,470</u>	<u>524,255</u>
<b>Fund Cash Balances, December 31, 1998</b>	<u><u>\$693,086</u></u>	<u><u>\$134,443</u></u>	<u><u>\$827,529</u></u>
Reserve for encumbrances, December 31, 1998	<u>\$2,190</u>	<u>\$0</u>	<u>\$2,190</u>

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



**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only) Total</u>
<b>Cash Receipts:</b>					
Local Taxes	\$88,690	\$0	\$0	\$0	\$88,690
Intergovernmental	137,189	534,833	0	109,153	781,175
Special Assessment	0	0	2,774	0	2,774
Charges for Services	496	0	0	0	496
Fines, Licenses and Permits	60,088	1,353	0	0	61,441
Interest	47,493	7,229	0	0	54,722
Miscellaneous	4,687	7,240	0	0	11,927
<b>Total Cash Receipts</b>	<u>338,643</u>	<u>550,655</u>	<u>2,774</u>	<u>109,153</u>	<u>1,001,225</u>
<b>Cash Disbursements:</b>					
Security of Persons and Property	390,530	461,555	0	0	852,085
Public Health Service	6,456	0	0	0	6,456
Leisure Time Activities	2,824	40,530	0	0	43,354
Community Environment	7,543	0	0	0	7,543
Transportation	42,719	93,432	0	0	136,151
General Government	132,244	0	0	0	132,244
Capital Outlay	0	5,471	0	300,885	306,356
Debt Service	0	0	28,888	430,210	459,098
<b>Total Cash Disbursements</b>	<u>582,316</u>	<u>600,988</u>	<u>28,888</u>	<u>731,095</u>	<u>1,943,287</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(243,673)</u>	<u>(50,333)</u>	<u>(26,114)</u>	<u>(621,942)</u>	<u>(942,062)</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Proceeds from Sale of Public Debt					
Sale of Notes	0	0	0	375,000	375,000
Transfers-In	414,048	30,000	0	177,449	621,497
Transfers-Out	(46,003)	0	0	0	(46,003)
Other Uses	(149)	0	(83)	0	(232)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>367,896</u>	<u>30,000</u>	<u>(83)</u>	<u>552,449</u>	<u>950,262</u>
<b>Excess of Cash Receipts and Other Financing Receipts over/(under) Cash Disbursements and Other Financing Disbursements</b>	<u>124,223</u>	<u>(20,333)</u>	<u>(26,197)</u>	<u>(69,493)</u>	<u>8,200</u>
<b>Fund Cash Balances, January 1, 1997</b>	<u>323,776</u>	<u>248,008</u>	<u>9,976</u>	<u>252,105</u>	<u>833,865</u>
<b>Fund Cash Balances, December 31, 1997</b>	<u><u>\$447,999</u></u>	<u><u>\$227,675</u></u>	<u><u>(\$16,221)</u></u>	<u><u>\$182,612</u></u>	<u><u>\$842,065</u></u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH  
BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only) Total</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$961,995	\$0	\$961,995
Miscellaneous	1,717	0	1,717
Total Operating Cash Receipts	<u>963,712</u>	<u>0</u>	<u>963,712</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	266,608	0	266,608
Contractual Services	32,526	0	32,526
Supplies and Materials	188,411	0	188,411
Capital Outlay	63,362	0	63,362
Total Operating Cash Disbursements	<u>550,907</u>	<u>0</u>	<u>550,907</u>
Operating income/(loss)	412,805	0	412,805
<b>Non-operating Cash Receipts:</b>			
Local Taxes	0	647,956	647,956
Proceeds from Sale of Public Debt:			
Sale of Bonds	2,875,000	0	2,875,000
Sale of Notes	150,000	0	150,000
Other Proceeds from Sale of Public Debt	12,095	0	12,095
Fines, Licenses, and Permits	0	63,054	63,054
Other Non-Operating Revenues	10,056	2,500	12,556
Total Non-operating Cash Receipts	<u>3,047,151</u>	<u>713,510</u>	<u>3,760,661</u>
<b>Non-operating Cash Disbursements:</b>			
Debt Service	3,360,486	0	3,360,486
Payments from Mayor's Court - Village	0	42,756	42,756
Payments from Mayor's Court - State	0	10,330	10,330
Payments from Mayor's Court - Other	0	8,953	8,953
Other Non-Operating Disbursements	15,052	0	15,052
Total Non-operating Cash Disbursements	<u>3,375,538</u>	<u>62,039</u>	<u>3,437,577</u>
Excess of Revenues over/(under) Disbursements before			
Interfund Transfers	84,418	651,471	735,889
Transfers-In	16,003	0	16,003
Transfers-Out	0	(591,497)	(591,497)
Net Cash Receipts over/(under) Disbursements	<u>100,421</u>	<u>59,974</u>	<u>160,395</u>
Fund Cash Balances, January 1, 1997	<u>355,364</u>	<u>8,496</u>	<u>363,860</u>
<b>Fund Cash Balances, December 31, 1997</b>	<b><u>\$455,785</u></b>	<b><u>\$68,470</u></b>	<b><u>\$524,255</u></b>
Reserve for encumbrances, December 31, 1997	<u>\$3,600</u>	<u>\$0</u>	<u>\$3,600</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1997**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Johnstown, Licking County, Ohio, (the Village) 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 Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 6 to the financial statements.

**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**

Investments in STAR Ohio (the State Treasurer's investment pool) are valued at amounts reported by the State Treasurer. The Village also has repurchase agreements that are valued at cost.

**D. Fund Accounting**

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

**General Fund**

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

**Special Revenue Fund**

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 Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

COPS Fund -This fund receives federal grant money for police officer's salaries.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**Special Revenue Fund (Continued)**

Permissive Motor Vehicle Fund - This fund receives permissive tax monies for constructing, maintaining and repairing Village streets.

State Highway Improvement Fund - This fund receives gasoline tax and motor vehicle tax monies for the maintenance of state highways.

Park and Recreation Fund - This fund receives monies from charges imposed on citizens who participate in the various recreation and park activities offered by the Village. The monies are used to construct, maintain, and repair the facilities.

**Debt Service Funds**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

General Obligation Debt Fund - This fund is used for payment of general debt issues.

**Capital Projects 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 Village had the following significant Capital Projects Funds:

State Issue Two Fund - This fund receives monies from Ohio Public Works Commission to make water and sewer line additions, repairs and replacements.

Other Capital Project Fund - This fund receives monies from the income tax fund to make capital improvements.

**Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Income Tax Fund - Receipts from the Village income tax are accounted for in this fund and after administration expenses are deducted the funds are transferred to the General Fund and Capital Projects Fund in percentages as prescribed by Village ordinance.

Mayor's Court Fund - This fund receives court costs and fines from court activity. The monies are disbursed according to law to the Village general fund and State of Ohio.

**E. 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 Council 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.

**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 also approve estimated resources.

**Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 1998 and 1997 budgetary activity appears in Note 4.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
(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 cash basis of accounting used by the Village.

**2. ACCOUNTABILITY**

**Deficit Balances**

The Debt Service Fund had a deficit fund balance as of December 31 as follows:

	<u>1998</u>	<u>1997</u>
Debt Service Fund	<u>\$ (34,330)</u>	<u>\$ (16,221)</u>

The Debt Service Fund deficit resulted from debt payments exceeding revenues within the fund. The general fund is liable for any deficit and provides operating transfers when cash is required as approved by Village Council.

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village 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>1998</u>	<u>1997</u>
Demand deposits	<u>\$ (46,471)</u>	<u>\$ 76,993</u>
Total deposits	<u>(46,471)</u>	<u>76,993</u>
Repurchase Agreements	1,279,089	892,253
STAR Ohio	<u>468,890</u>	<u>397,074</u>
Total investments	<u>1,747,979</u>	<u>1,289,327</u>
Total deposits and investments	<u>\$ 1,701,508</u>	<u>\$ 1,366,320</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Repurchase agreements are uninsured and unregistered investments for which the securities are held by the pledging financial institution's trust department not in the Village's name.

The Investment policy adopted and approved by Council was not submitted to the Auditor of State.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 1998, and December 31, 1997 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 712,216	\$ 839,393	\$ 127,177
Special Revenue	156,550	256,610	100,060
Debt Service	21,300	3,898	(17,402)
Capital Projects	616,310	580,766	(35,544)
Enterprise	1,173,120	1,239,582	66,462
Total	<u>\$ 2,679,496</u>	<u>\$ 2,920,249</u>	<u>\$ 240,753</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,173,636	\$ 702,639	\$ 470,997
Special Revenue	1,026,949	310,945	716,004
Debt Service	25,079	22,007	3,072
Capital Projects	765,501	619,668	145,833
Enterprise	1,625,306	1,004,471	620,835
Total	<u>\$ 4,616,471</u>	<u>\$ 2,659,730</u>	<u>\$ 1,956,741</u>

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 742,940	\$ 752,691	\$ 9,751
Special Revenue	152,000	580,655	428,655
Debt Service	35,943	2,774	(33,169)
Capital Projects	250,980	661,602	410,622
Enterprise	4,194,900	4,026,866	(168,034)
Total	<u>\$ 5,376,763</u>	<u>\$ 6,024,588</u>	<u>\$ 647,825</u>

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,066,716	\$ 628,468	\$ 438,248
Special Revenue	400,008	600,988	(200,980)
Debt Service	45,919	28,971	16,948
Capital Projects	503,085	731,095	(228,010)
Enterprise	4,550,264	3,930,045	620,219
Total	<u>\$ 6,565,992</u>	<u>\$ 5,919,567</u>	<u>\$646,425</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
(Continued)

**4. BUDGETARY ACTIVITY (continued)**

The Ohio Economic Development Grant, a Special Revenue Fund Type, and Other Capital Projects Fund, a Capital Projects Fund Type, expenditures exceeded appropriations in 1997.

**5. PROPERTY TAX**

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

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

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 Village.

**6. DEBT**

Debt outstanding at December 31, 1998 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$ 781,939	0%
General Obligation Bonds	55,000	10%
Mortgage Revenue Refund Bonds	2,782,917	4%
Revenue Anticipation Notes	300,000	4%
Mortgage Revenue Bonds	100,000	4%
Total	\$ 4,019,856	

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

Year ending December 31:	OPWC Loan	General Obligation Bonds	Mortgage Revenue Refund Bonds	Revenue Anticipation Notes	Mortgage Revenue Notes
1999	\$ 43,723	\$ 25,431	\$ 247,705	\$ 312,130	\$ 104,060
2000	43,723	18,456	248,655	0	0
2001	43,723	21,975	244,143	0	0
2002	43,723	0	244,440	0	0
2003	43,723	0	244,390	0	0
Subsequent	563,324	0	3,450,848	0	0
Total	\$ 781,939	\$ 65,862	\$ 4,680,181	\$ 312,130	\$ 104,060



**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**6. DEBT (continued)**

In addition to the debt described above, the Village has defeased the Johnstown Water Works 1965 bond and the 1965 Sewer Mortgage Revenue Refunding bond issuances. The debt principal outstanding at December 31, 1998 was \$30,560. Assets accumulated to retire this debt are held by a trustee, as legally required. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

The Ohio Public Works Commission (OPWC) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The Ohio Public Works Commission has approved up to \$888,864 in loans for the project. The loans will be repaid in semiannual installments, interest free, over 20 years. The schedule above represent the total amount borrowed to date.

By Ordinance 1998-11, Council authorized the issuance of bond anticipation note in the amount of \$100,000 for the purpose of improving the sanitary sewer system. The Note was dated June 11, 1998, bearing an annual interest rate 10%. Interest is payable in semiannual installments. The debt shall be serviced by sanitary sewer revenue.

By Ordinance 1998-12 and 1998-06, Council authorized the issuance of two bond anticipation notes in the amounts of \$250,000 and \$50,000 respectively for the purpose of improving the sanitary sewer system. These Notes are dated June 11, 1998, bearing an annual interest rate of 4.36%. The debt shall be paid with sanitary sewer revenue.

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement 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 1998 and 1997, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1998.

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

**9. CONTINGENT LIABILITIES**

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**10. YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Village's operations as early as fiscal year 1999.

The Village has completed an inventory of computer systems and other electronic equipment necessary to conducting Village operations. The Village has identified the following systems requiring Year 2000 remediation:

- Financial Reporting, Payroll, and Budgeted vs. Actual Statements - The Village leases the Auditor of State's Uniform Accounting Network (UAN) system for its financial operations. The Auditor of State is responsible for remediating these systems and is solely responsible for any costs associated with this project. As of December 31, 1998, the Auditor of State was validating and testing the UAN system. The Auditor of State completed validation and testing in 1999, and the Village has now installed this version.
- Income Tax and Utility Billings - The Village is currently remediating its utility billing systems. A "patch" has been ordered from the vendor. Upon installation the vendor asserts the billing system will be Y2K compliant. The Village has remediated its income tax system. A "patch" has been installed and the vendor, Computer Planning Systems asserts the system's compliance with Year 2000. The Village is responsible for remediating these systems and is solely responsible for any costs associated with this project.
- 911 Emergency Dispatching - Licking County Fire Control handles the Village's emergency (911) dispatching services. The Licking County Fire Control is responsible for remediating this system and is solely responsible for any costs associated with the project.
- Financial Institutions - The Village deposits its public monies various banks within the village. The banks are responsible for remediating this system and is solely responsible for any costs associated with this project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Village is or will be Year 2000 ready, that the Village's remediation efforts will be successful in whole or in part, or that parties with whom the Village does business will be year 2000 ready.



**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**

Village Council  
Village of Johnstown  
Licking County  
129 East Coshocton Street  
Johnstown, Ohio 43031

We have audited the accompanying financial statements of the Village of Johnstown, Licking County, Ohio, (the Village) as of and for the years ended December 31, 1998, and December 31, 1997, wherein we noted the Village could not provide sufficient evidence to support the Year 2000 disclosure relative to the its utility billing mission critical system, and have issued our report thereon dated September 13, 1999. We conducted our audits 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 Village'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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998-30645-001 through 1998-30645-003. We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated September 13, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Village'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1998-30645-004 through 1998-30645-006.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe of the reportable conditions described above finding 1998-30645-006 is a material weakness. Also, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 13, 1999.

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

**JIM PETRO**  
Auditor of State

September 13, 1999

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1998 AND DECEMBER 31, 1997**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>1998-30645-001</b>
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**Investment Policy**

Ohio Rev. Code Section 135.14 (N)(2) provides that if a subdivision does not file an investment policy with the Auditor of State, then that subdivision may only invest in interim deposits and STAR Ohio. The Village did not establish or file an investment policy with the Auditor of State; however, the Village invests money in a repurchase agreement and a sweep account.

We recommend the Village implement an investment policy to be in compliance with the Ohio Revised Code. The investment policy should establish the types of investments the Village may invest in and must be signed by: all entities conducting investment business with the treasurer or governing board (except the Treasurer of State); all brokers, dealers, and financial institutions, described in Section 135.14(M)(1), initiating transactions with the treasurer or governing board by giving advice or making investment recommendations; and all brokers, dealers, and financial institutions, described in Section 135.14(M)(1), executing transactions initiated by the treasurer or governing board.

<b>Finding Number</b>	<b>1998-30645-002</b>
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**Fiscal Officer Certification**

Ohio Rev. Code Section 5705.41 (D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached a fiscal officer's certificate. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriated fund and free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provided an exception to the above requirements:

"Then and Now" Certificate- If no certification is furnished as required, upon receipt of the fiscal officer's certificate that sufficient sum was both at the time of contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the taxing authority may authorize the issuance of a warrant in payment of the amount due upon such contract, but such authorization requires a resolution or ordinance to be passed within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

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

Primarily in 1997, twenty-eight percent of expenditures were processed without a certificate of the fiscal officer. There was not evidence to support the use of a "Then and Now" certificate.

We recommend purchase orders be created for all expenditures and certified for the availability of funds.

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1998 AND 1997**

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

<b>Finding Number</b>	<b>1998-30645-003</b>
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**Expenditures Exceeding Appropriation**

Ohio Rev. Code Section 5705.41(B) states in part that no subdivisions or taxing unit shall make any expenditure of money unless it has been appropriated. Expenditures exceeded appropriations in the following fund as of December 31, 1997:

Fund Type / Fund	Fund Name	Total Appropriated	Total Expended	Variance
<b>Special Revenue</b>	Ohio Economic Development Grant	\$400,008	\$600,988	(\$200,980)
<b>Capital Projects</b>	Other Capital Projects	\$503,085	\$731,095	(\$228,010)

We recommend the Finance Director periodically review the appropriations ledger to ensure that expenditures do not exceed appropriations.

<b>Finding Number</b>	<b>1998-30645-004</b>
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**Utility Billing Adjustments-Master File Accessibility**

The utility billing master file contains the customer address, name, billing rate and credits to be applied. This data is compared with the transaction data in the processing of water and sewer billings for services rendered. The master file is accessible to employees within the utility department who often make corrections without apparent supervisory approval. There was no indication an exception report was generated to document the changes made, and if so, whether it was reviewed by the department manager for accuracy and authorization.

Access to the master file should be limited to prevent unauthorized entry and changes to the master file content. Exception reports should be generated upon every entry detailing the change made.

We recommend the Village implement policies and procedures to ensure master file access is limited and any changes made are reviewed by the department manager.

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1998 AND 1997**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>1998-30645-005</b>
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**Segregation of Duties-Payroll Master File**

The assistant clerk makes changes and additions to payroll and non-payroll master file records within the accounting system without any approval or authorization by management. In addition, management does not monitor changes of information entered into the accounting system. Lack of approval or review may lead to fictitious records and unauthorized expenditures.

We recommend the Village implement procedures to ensure prior approval of standing data changes occurs to maintain the integrity of the standing data base. In addition, we recommend that management monitor changes made and periodically review the standing data records for accuracy.

<b>Finding Number</b>	<b>1998-30645-006</b>
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**Year 2000 Issue**

The Village has addressed the impact of the 1999 to 2000 date change on its information systems platform and systems and applications' software; however, no evidence could be presented to suggest these changes have been implemented, or a time table provided for their installation for the utility billing systems.

When using the 2-digit date, the date January 1, 1900 and January 1, 2000 are both represented as 01/1/00. As a result, January 1, 2000 might be interpreted as January 1, 1900. This could cause programs that perform arithmetic operations, comparisons, or sorting of date field to yield incorrect results when manipulating year data of 2000 beyond. This could prevent the timely and accurate reporting of financial information. It could also compromise the integrity of information used for management decision making.

We recommend in the event the utility billings system can not be timely remediated, Village officials develop a contingency plan to bill, process and post utility collections.







STATE OF OHIO  
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**VILLAGE OF JOHNSTOWN**

**LICKING 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  
JANUARY 25, 2000**