

***JOHNSTON TOWNSHIP***

**TRUMBULL COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2011 and 2010**

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





# Dave Yost • Auditor of State

Board of Trustees  
Johnston Township  
PO Box 639  
Cortland, Ohio 44410

We have reviewed the *Report of Independent Accountants* of Johnston Township, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Johnston Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 10, 2012

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**JOHNSTON TOWNSHIP**  
**TRUMBULL COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2011 and 2010**

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Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

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

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Trustees:

We have audited the accompanying financial statements of Johnston Township, Trumbull County, Ohio as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, Johnston Township, Trumbull County has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

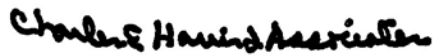
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Johnston Township, Trumbull County as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Johnston Township, Trumbull County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 Johnston Township, Trumbull County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



*Charles E. Harris & Associates, Inc.*  
June 25, 2012



**JOHNSTON TOWNSHIP**  
**TRUMBULL COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN**  
**FUND BALANCES - ALL GOVERNMENTAL FUND TYPES**  
**For the Year Ended December 31, 2011**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Receipts:</b>					
Local Taxes	\$ 98,041	\$ 117,928	\$ 3,000	-	\$ 218,969
Charges for Services	-	260,880	-	-	260,880
Licenses, Permits and Fees	30,520	4,850	-	-	35,370
Intergovernmental	64,349	142,510	-	\$ 76,542	283,401
Earnings on Investments	3,496	641	-	-	4,137
Miscellaneous	20,174	2,770	4,804	-	27,748
<b>Total Receipts</b>	<b>216,580</b>	<b>529,579</b>	<b>7,804</b>	<b>76,542</b>	<b>830,505</b>
<b>Disbursements:</b>					
General Government	123,535	320,672	-	-	444,207
Public Safety	1,822	-	-	-	1,822
Public Works	-	82,926	-	-	82,926
Health	4,080	7,325	-	-	11,405
Conservation/Recreation	6,821	-	-	-	6,821
Capital Outlay	26,256	58,527	-	76,542	161,325
<b>Debt Service:</b>					
Principal Retirement	-	65,913	24,539	-	90,452
Interest & Fiscal Charges	-	7,219	3,107	-	10,326
<b>Total Disbursements</b>	<b>162,514</b>	<b>542,582</b>	<b>27,646</b>	<b>76,542</b>	<b>809,284</b>
<b>Receipts Over/(Under) Disbursements</b>	<b>54,066</b>	<b>(13,003)</b>	<b>(19,842)</b>	<b>-</b>	<b>21,221</b>
<b>Other Financing Sources/(Uses):</b>					
Transfers In	-	-	18,000	-	18,000
Transfers Out	(3,000)	(15,000)	-	-	(18,000)
Refund of Prior Year's Expenditures	42,728	-	-	-	42,728
<b>Total Other Financing Sources/(Uses)</b>	<b>39,728</b>	<b>(15,000)</b>	<b>18,000</b>	<b>-</b>	<b>42,728</b>
<b>Excess Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</b>	<b>93,794</b>	<b>(28,003)</b>	<b>(1,842)</b>	<b>-</b>	<b>63,949</b>
<b>Fund Balance, January 1, 2011</b>	<b>278,103</b>	<b>209,530</b>	<b>4,909</b>	<b>-</b>	<b>492,542</b>
<b>Fund Balance</b>					
Restricted	-	181,527	-	-	181,527
Committed	-	-	3,067	-	3,067
Unassigned	371,897	-	-	-	371,897
<b>Fund Balance, December 31, 2011</b>	<b>\$ 371,897</b>	<b>\$ 181,527</b>	<b>\$ 3,067</b>	<b>\$ -</b>	<b>\$ 556,491</b>

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

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2010**

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 99,836	\$ 121,856	\$ 5,165	\$ 226,857
Charges for Services	-	165,056	-	165,056
Licenses, Permits and Fees	30,905	5,195	-	36,100
Intergovernmental	37,151	131,489	-	168,640
Earnings on Investments	5,605	260	-	5,865
Miscellaneous	17,326	3,291	1,000	21,617
<b>Total Receipts</b>	<b>190,823</b>	<b>427,147</b>	<b>6,165</b>	<b>624,135</b>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	124,316	266,264	-	390,580
Public Safety	1,599	-	-	1,599
Public Works	-	76,308	-	76,308
Health	5,640	3,795	-	9,435
Conservation-Recreation	10,449	-	-	10,449
Capital Outlay	37,887	132,153	-	170,040
<b>Debt Service:</b>				
Principal Retirement	-	65,345	26,834	92,179
Interest & Fiscal Charges	-	10,137	3,000	13,137
<b>Total Disbursements</b>	<b>179,891</b>	<b>554,002</b>	<b>29,834</b>	<b>763,727</b>
<b>Excess Receipts Over Disbursements</b>	<b>10,932</b>	<b>(126,855)</b>	<b>(23,669)</b>	<b>(139,592)</b>
<b>Other Financing Sources/(Uses):</b>				
Transfers In	-	-	26,000	26,000
Transfers Out	-	(26,000)	-	(26,000)
Proceeds of Loan	-	123,393	-	123,393
Other Financing Sources	305	-	-	305
<b>Total Other Financing Sources/(Uses)</b>	<b>305</b>	<b>97,393</b>	<b>26,000</b>	<b>123,698</b>
<b>Excess Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</b>	<b>11,237</b>	<b>(29,462)</b>	<b>2,331</b>	<b>(15,894)</b>
<b>Fund Balance, January 1, 2010</b>	<b>266,866</b>	<b>238,992</b>	<b>2,578</b>	<b>508,436</b>
<b>Fund Balance, December 31, 2010</b>	<b>\$ 278,103</b>	<b>\$ 209,530</b>	<b>\$ 4,909</b>	<b>\$ 492,542</b>

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

JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

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

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

B. **BASIS OF ACCOUNTING**

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

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

C. **CASH**

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. **FUND ACCOUNTING**

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

**Governmental Fund Types:**

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

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

JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010

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

D. **FUND ACCOUNTING** – (continued)

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

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

**Capital Project Fund:** This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

- *Stoddard Hayes Resurfacing Fund* – This fund is used to account for grant funds used for resurfacing of Stoddard Hayes Road.

E. **BUDGETARY PROCESS**

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

1. **Estimated Resources**

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

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

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

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2011 and 2010. However, those fund balances are available for appropriation.

JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010

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

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

2. **Appropriations**

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

3. **Encumbrances**

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

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

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

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

H. **FUND BALANCE**

For December 31, 2011, fund balance is divided into classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

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

2. **Restricted**

Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010

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

H. **FUND BALANCE** (continued)

3. **Committed**

Trustees can commit amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

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

	2011	2010
Demand Deposits	\$ 485,019	\$ 427,733
<b>Total Deposits</b>	<b>485,019</b>	<b>427,733</b>
Investments:		
STAR-Ohio	68,453	61,797
Certificate of Deposit	3,019	3,012
<b>Total Investments</b>	<b>71,472</b>	<b>64,809</b>
<b>Total Deposits and Investments</b>	<b>\$ 556,491</b>	<b>\$ 492,542</b>

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

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (continued)**

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

**3. PROPERTY TAXES**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Township. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Trumbull County Auditor's Office at 35% of appraised market value. All property is required to be revalued every six year. The last revaluation for the Township was completed in 2011; an update will be done in 2014.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) received during calendar year 2011 represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied April 1, 2009 on the values listed as of December 31, 2009. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Trumbull County Treasurer collects property taxes on behalf of the Township. The Trumbull County Auditor remits the collected taxes to the Township. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

<u>2011 Budgeted vs Actual Budgetary Basis Disbursements</u>			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 529,418	\$ 165,514	\$ 363,904
Special Revenue	683,160	557,582	125,578
Debt Service	31,498	27,646	3,852
Capital Projects	275,243	76,542	198,701
<b>Total</b>	<b>\$ 1,519,319</b>	<b>\$ 827,284</b>	<b>\$ 692,035</b>

JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010

4. BUDGETARY ACTIVITY – (continued)

<u>2011 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 251,315	\$ 259,308	\$ 7,993
Special Revenue	756,642	529,579	(227,063)
Debt Service	26,589	25,804	(785)
Capital Projects	275,243	76,542	(198,701)
<b>Total</b>	<b>\$ 1,309,789</b>	<b>\$ 891,233</b>	<b>\$ (418,556)</b>

<u>2010 Budgeted vs Actual Budgetary Basis Disbursements</u>			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 407,732	\$ 179,891	\$ 227,841
Special Revenue	800,027	580,002	220,025
Debt Service	29,935	29,834	101
Capital Projects	178,505	-	178,505
<b>Total</b>	<b>\$ 1,416,199</b>	<b>\$ 789,727</b>	<b>\$ 626,472</b>

<u>2010 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 177,415	\$ 191,128	\$ 13,713
Special Revenue	791,263	550,540	(240,723)
Debt Service	30,024	32,165	2,141
Capital Projects	178,505	-	(178,505)
<b>Total</b>	<b>\$ 1,177,207</b>	<b>\$ 773,833</b>	<b>\$ (403,374)</b>

5. DEBT

Debt outstanding at December 31, 2011 is as follows:

	<u>Principal</u>	<u>Interest Rate</u>
First Responder Note	\$ 2,456	5.40%
Dump Truck Loan	42,371	5.25%
Wells Fargo Ambulance Loan	92,134	
<b>Total</b>	<b>\$ 136,961</b>	

The prior year debt balance was overstated by \$2,025.



**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**5. DEBT – (continued)**

In 2007, Johnston Township took out a note for the purchase of a first responder vehicle for the Johnston Township Fire Department.

The Dump Truck Loan was issued by Huntington National Bank in June of 2009 to purchase a dump truck and accessory road equipment. It is to be repaid in 60 monthly installments.

In 2010, the Township obtained a seven-year loan for an ambulance with semi-annual payment of \$10,492.

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

Year ending December 31:	First Responder Vehicle Note	Dump Truck Loan	Wells Fargo Loan
2012	\$ 2,789	\$ 17,448	\$ 20,984
2013	-	17,448	20,984
2014	-	7,270	20,984
2015	-	-	20,984
2016	-	-	20,984
2017	-	-	20,984
Total	\$ 2,789	\$ 42,166	\$ 125,904

**6. RETIREMENT SYSTEM**

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10% in 2010 and in 2011 of their gross pay while the Township contributed an amount equal to 14% of covered payroll for both years. The Township paid all required contributions through 2011.

**7. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010

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

**Casualty and Property Coverage**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2011, OTARMA retained \$350,000 for casualty claims and \$150,000 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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$9,895.

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

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$13,371	\$10,935

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

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years. The Township did not reduce coverages significantly from the prior year.

**8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

**9. TRANSFERS**

In 2010 and 2011, the Gasoline Tax Fund – Special Revenue Fund transferred \$26,000 and \$15,000, respectively to the Debt Service Fund to pay debt. Also, the General Fund transferred \$3,000 to the Debt Service Fund to pay debt payments in 2011.

All transfers were in compliance with Ohio Revised Code Section 5705.14-16.

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

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

To the Board of Trustees:

We have audited the financial statements of Johnston Township, Trumbull County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 25, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, we noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

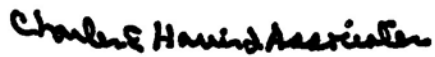
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-JTTC-01 described in the accompanying schedule of findings 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, providing an opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

We intend this report solely for the information and use of management, the Board of Trustees, the audit committee and others within the Township. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Charles E. Harris". The signature is written in a cursive, slightly slanted style.

**Charles E. Harris and Associates, Inc.**  
June 25, 2012

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2011 and 2010**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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**FINDING NUMBER 2011-JTTC-01 Material Weakness**

The Township had posting errors related to their debt. In 2010, the Township obtained a \$123,393 loan from Republic First National Corporation later Wells Fargo for a 2010 Braun Chief XL Prestige Ambulance. The Township did not record the proceeds of the loan nor the capital outlay related to the loan. By not recording the proceeds of the loan and the related capital outlay, the Township understated receipts and disbursements. These amounts were adjusted in the financial statements.

Most debt payments were made from various line items rather than the Principal and Interest line items. Also, the Township did not properly record principal retirement and interest on their loans. Although the postings were correct in total, the allocation of principal and interest varied from payment to payment. The Township should record the principal and interest consistent with monthly invoice received from the bank or the amortization schedules and record all principal and interest in the proper line item. These amounts were reclassified in the financial statements.

**Management Response:**

Management is now aware of the recording requirements and will properly record transactions in the future.

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2011 and 2010**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
<b>2009-01</b>	<b>Ohio Revised Code Section 5705.41 (B) – The Township had expenditures plus encumbrances exceeding appropriations.</b>	<b>Yes</b>	<b>No Longer Valid</b>
<b>2009-02</b>	<b>Contrary to Ohio Rev. Code Section 5705.36 (A)(4), estimated resources are higher than actual receipts.</b>	<b>Yes</b>	<b>No Longer Valid</b>





# Dave Yost • Auditor of State

**JOHNSTOWN 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  
OCTOBER 23, 2012**