



**Auditor of State  
Betty Montgomery**



**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis – For Fiscal Year Ended December 31, 2005.....	3
Statement of Net Assets – Modified Cash Basis – December 31, 2005.....	9
Statement of Activities – Modified Cash Basis – For the Fiscal Year Ended December 31, 2005 .....	10
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2005.....	11
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances – Governmental Funds – For the Fiscal Year ended December 31, 2005.....	12
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – General Fund – For the Year Ended December 31, 2005.....	13
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Gasoline Tax Fund – For the Year Ended December 31, 2005.....	14
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Road and Bridge Fund – For the Year Ended December 31, 2005.....	15
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Road District Fund – For the Year Ended December 31, 2005.....	16
Notes to the Financial Statements – For the Fiscal Year Ended December 31, 2005.....	17
Management's Discussion and Analysis – For Fiscal Year Ended December 31, 2004.....	29
Statement of Net Assets – Modified Cash Basis – December 31, 2004.....	35
Statement of Activities – Modified Cash Basis – For the Fiscal Year Ended December 31, 2004 .....	36
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2004.....	37
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances – Governmental Funds – For the Fiscal Year ended December 31, 2004.....	38
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – General Fund – For the Year Ended December 31, 2004.....	39

JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Gasoline Tax – For the Year Ended December 31, 2004 .....	40
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Road and Bridge Fund – For the Year Ended December 31, 2004 .....	41
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Road District Fund – For the Year Ended December 31, 2004 .....	42
Notes to the Financial Statements – For the Fiscal Year Ended December 31, 2004 .....	43
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	55



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Johnson Township, Champaign County, (Township), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Johnson Township, Champaign County, as of December, 2005 and 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, and Road District funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005 and 2004, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 28, 2006

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

This discussion and analysis of the Johnson Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$128,373 or 17.5 percent, a significant change from the prior year. The funds most affected by the increase in cash and cash equivalents were the General and Road and Bridge fund.
- The Township's general receipts are primarily property taxes. These receipts represent respectively 47 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Township's general receipts. The Township has no business-type activities.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Government's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are governmental.

**Governmental Funds** – Most of the township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax, Road and Bridge, and Road District Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**The Township as a Whole**

Table 1 provides a summary of the Government's net assets for 2005 compared to 2004 on a modified cash basis:

**(Table 1)**  
**Net Assets**

	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2005</b>
<b>Assets</b>		
Cash and Cash Equiva	733,966	862,399
Total Assets	<u>733,966</u>	<u>862,399</u>
<b>Net Assets</b>		
Restricted for:		
Capital Outlay	20,698	20,699
Other Purposes	552,553	635,696
Unrestricted	<u>160,715</u>	<u>205,944</u>
Total Net Assets	<u>\$733,966</u>	<u>\$862,339</u>

As mentioned previously, net assets of governmental activities increased \$ 128,373 or 17.5 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Estate taxes increased
- Reduced spending for public works projects

Table 2 reflects the changes in net assets in 2005.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**(Table 2)  
Changes in Net Assets**

	<b>Governmental Activities 2004</b>	<b>Governmental Activities 2005</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	15,486	\$20,264
Operating Grants and Contributions	80,368	72,462
Capital Grants and Contributions		6,658
Total Program Receipts	95,854	99,384
<b>General Receipts:</b>		
Property and Other Local Taxes	180,454	157,814
Grants and Entitlements Not Restricted to Specific Programs	38,379	50,360
Interest	5,079	11,469
Miscellaneous	11,514	19,663
Total General Receipts	235,426	239,306
Total Receipts	331,280	338,690
<b>Disbursements:</b>		
General Government	43,185	45,254
Public Safety	21,261	20,314
Public Health Services	14,286	13,950
Public Works	143,653	124,141
Other	10,000	6,658
Total Disbursements	232,385	210,317
Excess (Deficiency) Before Transfers	98,895	128,373
Transfers		
Increase (Decrease) in Net Assets	98,895	128,373
Net Assets, January 1	635,071	733,966
Net Assets, December 31	\$733,966	\$862,339

Program receipts represent only 29 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 71 percent of the Township's total receipts, and of this amount, 66 percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (21 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other township activities. These include the costs of Trustees, and the Clerk as well as internal services such as purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 35% of General Fund unrestricted receipts. Public Safety is the costs of Emergency Services, Public Health Department (the County Health Department) and Public Works is the cost of maintaining the roads.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Governmental Activities**

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works and public safety, which account for 58 and 10 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 22 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2005</b>	<b>Net Cost of Services 2005</b>
	General Government	\$45,254
Public Safety	20,314	20,314
Public Health Services	13,950	13,950
Public Works	124,141	38,394
Other	6,658	(6,979)
<b>Total Expenses</b>	<b>\$210,317</b>	<b>\$110,933</b>

The dependence upon property tax receipts is apparent as over 52 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$338,689 and disbursements of \$210,316. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$45,229 as the result of an increase in intergovernmental funds and Interest earnings.

General Fund receipts were more than disbursements by \$45,229 indicating that the General Fund is not in a deficit spending situation.

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Township did not amend its General Fund budget to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was significant due to unexpected growth in intergovernmental receipts and interest earnings.

Final disbursements were budgeted at \$90,000 while actual disbursements were \$59,204. Appropriations were not reduced. The Township did not spend close to budgeted amounts as demonstrated by the reported variances. The result is the increase in fund balance of \$45,229 for 2005.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does maintain an inventory of its capital assets for insurance purposes. The Township uses the Uniform Accounting Network program to accomplish this task.

**Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Suellen Slayton, Clerk, Johnson Township, 1938 Apple Road, P.O. Box 663, St. Paris, Ohio 43072-0663.

JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$862,339
Total Assets	<u><u>862,339</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	20,699
Other Purposes	635,696
Unrestricted	205,944
Total Net Assets	<u><u>\$862,339</u></u>

*See accompanying notes to the basic financial statements.*

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Program Cash Receipts</b>			<b>Net (Disbursements) Receipts and Changes in Net Assets</b>	
<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental Activities</b>					
General Government	\$45,254			(\$45,254)	
Public Safety	20,314			(20,314)	
Public Works	124,141	\$8,577	\$70,512	(38,394)	
Health	13,950			(13,950)	
Other	6,658	11,687	1,950	6,979	
Total Governmental Activities	<u>\$210,317</u>	<u>\$20,264</u>	<u>\$72,462</u>	<u>\$6,658</u>	<u>(110,933)</u>
 <b>General Receipts</b>					
Property Taxes				157,814	
Grants and Entitlements not Restricted to Specific Programs				50,360	
Earnings on Investments				11,469	
Miscellaneous				19,663	
Total General Receipts				239,306	
Change in Net Assets				128,373	
Net Assets Beginning of Year				733,966	
Net Assets End of Year				\$862,339	

*See accompanying notes to the basic financial statements.*

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Road District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$205,944	\$192,508	\$170,884	\$139,404	\$153,599	\$862,339
Total Assets	<u>205,944</u>	<u>192,508</u>	<u>170,884</u>	<u>139,404</u>	<u>153,599</u>	<u>862,339</u>
<b>Fund Balances</b>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	205,944					205,944
Special Revenue Funds		192,508	170,884	139,404	132,900	635,696
Capital Projects Funds					20,699	20,699
Total Fund Balances	<u>205,944</u>	<u>192,508</u>	<u>170,884</u>	<u>139,404</u>	<u>153,599</u>	<u>862,339</u>

*See accompanying notes to the basic financial statements.*

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED-CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>General</b>	<b>Gasoline Tax</b>	<b>Road and Bridge</b>	<b>Road District</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Receipts</b>						
Property and Other Local Taxes	\$21,983		\$72,015	\$41,067	\$12,281	\$147,346
Licenses, Permits and Fees	11,687					11,687
Intergovernmental	52,849	\$70,512	4,501	3,141	16,491	147,494
Special Assessments					1,950	1,950
Earnings on Investments	7,927	2,552			989	11,468
Miscellaneous	9,987		8,051	623	83	18,744
<b>Total Receipts</b>	<b>104,433</b>	<b>73,064</b>	<b>84,567</b>	<b>44,831</b>	<b>31,794</b>	<b>338,689</b>
<b>Disbursements</b>						
Current:						
General Government	45,254					45,254
Public Safety					20,314	20,314
Public Works		57,068	45,498	20,115	1,459	124,140
Health	13,950					13,950
Other					6,658	6,658
<b>Total Disbursements</b>	<b>59,204</b>	<b>57,068</b>	<b>45,498</b>	<b>20,115</b>	<b>28,431</b>	<b>210,316</b>
Excess of Receipts Over (Under) Disbursements	45,229	15,996	39,069	24,716	3,363	128,373
Fund Balances Beginning of Year	160,715	176,512	131,815	114,688	150,236	733,966
Fund Balances End of Year	<u>\$205,944</u>	<u>\$192,508</u>	<u>\$170,884</u>	<u>\$139,404</u>	<u>\$153,599</u>	<u>\$862,339</u>

*See accompanying notes to the basic financial statements.*



**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$20,200	\$20,200	\$21,983	\$1,783
Licenses, Permits and Fees	10,000	10,000	11,687	1,687
Intergovernmental	17,500	17,500	52,849	35,349
Earnings on Investments	3,300	3,300	7,927	4,627
Miscellaneous	1,123	1,123	9,987	8,864
Total receipts	<u>\$52,123</u>	<u>\$52,123</u>	<u>\$104,433</u>	<u>\$52,310</u>
<b>Disbursements</b>				
Current:				
General Government	74,500	74,500	45,254	29,246
Health	15,500	15,500	13,950	1,550
Total Disbursements	<u>90,000</u>	<u>90,000</u>	<u>59,204</u>	<u>30,796</u>
Excess of Receipts Over (Under) Disbursements	<u>(37,877)</u>	<u>(37,877)</u>	<u>45,229</u>	<u>83,106</u>
Fund Balance Beginning of Year	<u>160,714</u>	<u>160,714</u>	<u>160,714</u>	
Fund Balance End of Year	<u><u>\$122,837</u></u>	<u><u>\$122,837</u></u>	<u><u>\$205,943</u></u>	<u><u>\$83,106</u></u>

*See accompanying notes to the basic financial statements.*

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$48,446	\$48,446	\$70,512	\$22,066
Earnings on Investments	1,190	1,190	2,552	1,362
Miscellaneous	10	10		(10)
Total receipts	<u>49,646</u>	<u>49,646</u>	<u>73,064</u>	<u>23,418</u>
<b>Disbursements</b>				
Current:				
Public Works	187,500	187,500	57,068	130,432
Capital Outlay	20,000	20,000		20,000
Total Disbursements	<u>207,500</u>	<u>207,500</u>	<u>57,068</u>	<u>150,432</u>
Excess of Receipts Over (Under) Disbursements	<u>(157,854)</u>	<u>(157,854)</u>	<u>15,996</u>	<u>173,850</u>
Net Change in Fund Balance	(157,854)	(157,854)	15,996	173,850
Fund Balance Beginning of Year	<u>176,512</u>	<u>176,512</u>	<u>176,512</u>	
Fund Balance End of Year	<u>\$18,658</u>	<u>\$18,658</u>	<u>\$192,508</u>	<u>\$173,850</u>

*See accompanying notes to the basic financial statements.*

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$76,000	\$76,000	\$72,015	(\$3,985)
Intergovernmental	4,500	4,500	4,501	1
Miscellaneous	2,106	2,106	8,051	5,945
Total receipts	<u>82,606</u>	<u>82,606</u>	<u>84,567</u>	<u>1,961</u>
<b>Disbursements</b>				
Current:				
Public Works	188,500	188,500	45,498	143,002
Capital Outlay	25,000	25,000		25,000
Total Disbursements	<u>213,500</u>	<u>213,500</u>	<u>45,498</u>	<u>168,002</u>
Excess of Receipts Over (Under) Disbursements	<u>(130,894)</u>	<u>(130,894)</u>	<u>39,069</u>	<u>169,963</u>
Net Change in Fund Balance	(130,894)	(130,894)	39,069	169,963
Fund Balance Beginning of Year	<u>131,815</u>	<u>131,815</u>	<u>131,815</u>	<u></u>
Fund Balance End of Year	<u>\$921</u>	<u>\$921</u>	<u>\$170,884</u>	<u>\$169,963</u>

*See accompanying notes to the basic financial statements.*

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
ROAD DISTRICT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$38,000	\$34,242	\$41,067	\$6,825
Intergovernmental	3,200	3,300	3,141	(159)
Miscellaneous	7,203	7,203	623	(6,580)
Total receipts	<u>48,403</u>	<u>44,745</u>	<u>44,831</u>	<u>86</u>
<b>Disbursements</b>				
Current:				
Public Works	128,000	128,000	20,115	107,885
Total Disbursements	<u>128,000</u>	<u>128,000</u>	<u>20,115</u>	<u>107,885</u>
Excess of Receipts Over (Under) Disbursements	<u>(79,597)</u>	<u>(83,255)</u>	<u>24,716</u>	<u>107,971</u>
Net Change in Fund Balance	(79,597)	(83,255)	24,716	107,971
Fund Balance Beginning of Year	<u>114,688</u>	<u>114,688</u>	<u>114,688</u>	
Fund Balance End of Year	<u><u>\$35,091</u></u>	<u><u>\$31,433</u></u>	<u><u>\$139,404</u></u>	<u><u>\$107,971</u></u>

*See accompanying notes to the basic financial statements.*

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. REPORTING ENTITY**

Johnson Township, Champaign County, (the Township), is a body politic and corporate established in 1821 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 also has an elected Township Clerk. The Township provides road and bridge maintenance and contracts with the Johnson-St. Paris EMS to provide emergency services to its residents.

The reporting entity is comprised of the primary government.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges. Police protection is provided by the Champaign County Sheriff's Officer.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

**C. Joint Ventures**

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgements, settlements, and other expenses resulting from covered claims that exceed the member's deductible. Notes to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2. C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the Township's accounting policies.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Township that are governmental and those that are considered business- type. The Township has no business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. The statement of net assets presents the cash balance of the Township activities at year end. The statement of activities compares disbursements with program receipts for each of the Township's government activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Fund Accounting**

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental.

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's only major governmental funds are the General Fund, Roads & Bridges, Road District, and Gasoline Tax Fund.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**1. General Fund**

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**2. Special Revenue Funds**

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

**Road and Bridges Fund** – This fund receives tax levy money to pay for construction, maintaining and repairing Township roads.

**Road District Fund** – This fund receives tax levy money to pay for constructing, maintaining and Repairing Township Roads.

**Gasoline Tax Fund-** This fund receives money from Road Uses taxes and is used for constructing, Maintaining and repairing Township roads.

**C. Basis of Accounting**

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2005, the Township invested in an interest bearing savings account at Fifth/Third Bank. The Township's money market fund investment is recorded at the amount reported by Fifth/Third Bank on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 were \$7,927 which includes \$3,541 assigned from other Township funds.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**G. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Township had no advances during 2005.



**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. The Township had no restricted assets in 2005.

**M. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Township had no reservations of fund balance at December 31, 2005.

**N. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, gasoline tax, road and bridge, and road district funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis).

**4. DEPOSITS AND INVESTMENTS**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Township or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Township had \$ 0 in un-deposited cash on hand.

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$762,340 of the Township's bank balance of \$862,339 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$53.05 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

<b>Real Property</b>	
Residential	\$19,949,780
Agriculture	6,511,380
Commercial/Industrial/Mineral	24,518,500
<b>Public Utility Property</b>	
Real	4,651,020
Personal	1,812,710
Tangible Personal Property	18,765,019
Total Assessed Value	<u><u>\$76,208,409</u></u>

**6. RISK MANAGEMENT**

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

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

The Government 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. RISK MANAGEMENT**

**Casualty Coverage**

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage**

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**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, 2005 and 2004.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$3,968.

**7. DEFINED BENEFIT PENSION PLAN**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**7. DEFINED BENEFIT PENSION PLAN (Continued)**

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$ 12,765, \$14,465 and \$13,000 respectively. The full amount has been contributed for 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$7,844 made by the Township and \$4,921 made by the plan members.

**8. POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund post-employment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**9. LEASES**

The Township leases equipment under non-cancelable leases. The Township disbursed \$392 to pay lease costs for the year ended December 31, 2005. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 672
2007	672
2008	448
Total	<u>\$1,792</u>



**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

This discussion and analysis of the Ohio Local Government's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2004, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2004 are as follows:

- Net assets of governmental activities increased \$98,895, or 15.5 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Road and Bridge, and Road District Funds due to an increase in Local Tax funds received by the Township.
- The Township's general receipts are primarily property taxes. These receipts represent respectively 54 percent of the total cash received for governmental activities during the year.
- Property tax receipts for 2004 increased 7% as compared to 2003.

**Using the Basic Financial Statements**

**Report Components**

This annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Township's general receipts. The Township has no business-type activities.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township: governmental.

**Governmental Funds** - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax, Road and Bridge, and Road District Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2004 on a modified cash basis. Since the Township did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years when prior information is available, a comparative analysis will be presented:

**(Table 1)  
Net Assets**

	<b>Governmental Activities</b>
	<b>2004</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$733,966
Total Assets	733,966
<b>Net Assets</b>	
Restricted for:	
Capital Outlay	20,698
Other Purposes	552,553
Unrestricted	160,715
Total Net Assets	\$733,966

As mentioned previously, net assets of governmental activities increased \$98,895 or 15.5 percent during 2004. The primary reasons contributing to the increase in cash balances are as follows:

- Increased growth in local tax receipts. The full-time road employee retired August 2004 and a part-time employee was hired to work 20-30 hours per week at a much lower rate of pay.

Table 2 reflects the changes in net assets in 2004. Since the Township did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**(Table 2)  
Changes in Net Assets**

	<b>Governmental Activities</b>
	<b>2004</b>
<b>Receipts:</b>	
<b>Program Receipts:</b>	
Charges for Services and Sales	\$15,486
Operating Grants and Contributions	80,368
Capital Grants and Contributions	
Total Program Receipts	95,854
<b>General Receipts:</b>	
Property and Other Local Taxes	180,454
Grants and Entitlements Not Restricted to Specific Programs	38,379
Interest	5,079
Miscellaneous	11,514
Total General Receipts	235,426
Total Receipts	331,280

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**(Table 2)  
Changes in Net Assets  
(Continued)**

<b>Disbursements:</b>	
General Government(incl. Utilities)	43,185
Public Safety	21,261
Public Health Services	14,286
Public Works	143,653
Other	<u>10,000</u>
Total Disbursements	<u><u>232,385</u></u>
Increase in Net Assets	98,895
Net Assets, January 1, 2004	<u>635,071</u>
Net Assets, December 31, 2004	<u><u>\$733,966</u></u>

Program receipts represent only 29 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees.

General receipts represent 71 percent of the Township's total receipts, and of this amount, over 77 percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (16 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of Trustee's salaries, and the Twp. Clerk. Since these costs do not represent direct services to residents, we try to limit these costs to 35 percent of General Fund unrestricted receipts.

Public Safety is the costs of Emergency Services; Public Health Services is the County Health Department; and Public Works is the cost of maintaining the roads.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**Governmental Activities**

If you look at the Statement of Activities on page 36, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works and public safety, which account for 62 and 9 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 19 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2004</b>	<b>Net Cost of Services 2004</b>
General Government (incl. Utilities)	\$43,185	\$43,185
Security of Persons	21,261	21,261
Public Health Services	14,286	14,286
Other		(17,448)
Transportation	143,653	65,247
Capital Outlay	10,000	10,000
<b>Total Expenses</b>	<b>\$232,385</b>	<b>\$136,531</b>

The dependence upon property tax receipts is apparent as over 58 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$331,280 and disbursements of \$232,385. The greatest change within governmental funds occurred within the Road District Fund. The fund balance of the Road District Fund increased \$ 29,497 as the result of increase in amount of tax funds received in the fund and a decrease in employee wages. General Fund receipts were more than disbursements by \$31,475 indicating that the General Fund is not in a deficit spending situation.

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2004, the Township did not amend its General Fund budget. Final budgeted receipts were more than original budgeted receipts due to unexpected growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$111,700 while actual disbursements were \$57,471. Appropriations were not reduced. The Township did not spend close to budgeted amounts as demonstrated by the reported variances. The result is the increase in fund balance of \$31,475 for 2004.

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does maintain an inventory of its capital assets for insurance purposes. The Township uses the Uniform Accounting Network program to accomplish this task.

**Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Suellen Slayton, Clerk, Johnson Township, 1938 Apple Road, P.O. Box 663, St. Paris, OH 43072-0663

JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$733,966
Total Assets	<u>733,966</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	20,698
Other Purposes	552,553
Unrestricted	160,715
Total Net Assets	<u>\$733,966</u>

*See accompanying notes to the basic financial statements.*

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
			<u>Governmental Activities</u>
<b>Governmental Activities</b>			
General Government	\$43,185		(\$43,185)
Public Safety	21,261		(21,261)
Public Works	143,653		(65,247)
Health	14,286		(14,286)
Conservation-Recreation			
Other		15,486	17,448
Capital Outlay	10,000		(10,000)
<b>Total Governmental Activities</b>	<u>\$232,385</u>	<u>\$15,486</u>	<u>\$80,368</u> <u>(136,531)</u>
<b>General Receipts</b>			
Property Taxes			180,454
Grants and Entitlements not Restricted to Specific Programs			38,379
Earnings on Investments			5,079
Miscellaneous			11,514
<b>Total General Receipts</b>			235,426
<b>Change in Net Assets</b>			98,895
<b>Net Assets Beginning of Year</b>			635,071
<b>Net Assets End of Year</b>			<u>\$733,966</u>

*See accompanying notes to the basic financial statements.*



JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<b>General</b>	<b>Gasoline Tax</b>	<b>Road and Bridge</b>	<b>Road District</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$160,715	\$176,512	\$131,815	\$114,687	\$150,237	\$733,966
Total Assets	160,715	176,512	131,815	114,687	150,237	733,966
<b>Fund Balances</b>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	160,715					160,715
Special Revenue Funds		176,512	131,815	114,687	129,539	552,553
Capital Projects Funds					20,698	20,698
Total Fund Balances	\$160,715	\$176,512	\$131,815	\$114,687	\$150,237	\$733,966

*See accompanying notes to the basic financial statements.*

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED-CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Road District</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Receipts</b>						
Property and Other Local Taxes	\$20,760		\$76,822	\$45,941	\$26,347	\$169,870
Licenses, Permits and Fees	15,486					15,486
Intergovernmental	39,999	\$68,092	4,535	3,164	11,580	127,370
Special Assessments					1,962	1,962
Earnings on Investments	3,407	1,199			473	5,079
Miscellaneous	9,294		1,244	810	165	11,513
Total Receipts	<u>88,946</u>	<u>69,291</u>	<u>82,601</u>	<u>49,915</u>	<u>40,527</u>	<u>331,280</u>
<b>Disbursements</b>						
Current:						
General Government	43,185					43,185
Public Safety					21,261	21,261
Public Works		60,999	60,705	20,418	1,531	143,653
Health	14,286					14,286
Capital Outlay					10,000	10,000
Total Disbursements	<u>57,471</u>	<u>60,999</u>	<u>60,705</u>	<u>20,418</u>	<u>32,792</u>	<u>232,385</u>
Excess of Receipts Over Disbursements	<u>31,475</u>	<u>8,292</u>	<u>21,896</u>	<u>29,497</u>	<u>7,735</u>	<u>98,895</u>
Net Change in Fund Balances	31,475	8,292	21,896	29,497	7,735	98,895
Fund Balances Beginning of Year	<u>129,240</u>	<u>168,220</u>	<u>109,919</u>	<u>85,190</u>	<u>142,502</u>	<u>635,071</u>
Fund Balances End of Year	<u>\$160,715</u>	<u>\$176,512</u>	<u>\$131,815</u>	<u>\$114,687</u>	<u>\$150,237</u>	<u>\$733,966</u>

*See accompanying notes to the basic financial statements.*

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$22,500	\$22,500	\$20,760	(\$1,740)
Licenses, Permits and Fees	2,500	2,500	15,486	12,986
Intergovernmental	19,933	19,933	39,999	20,066
Earnings on Investments	10,000	10,000	3,407	(6,593)
Miscellaneous	900	900	9,294	8,394
Total receipts	<u>55,833</u>	<u>55,833</u>	<u>88,946</u>	<u>33,113</u>
<b>Disbursements</b>				
Current:				
General Government	90,200	90,200	43,185	47,015
Health	21,500	21,500	14,286	7,214
Total Disbursements	<u>111,700</u>	<u>111,700</u>	<u>57,471</u>	<u>54,229</u>
Excess of Receipts Over (Under) Disbursements	<u>(55,867)</u>	<u>(55,867)</u>	<u>31,475</u>	<u>87,342</u>
Net Change in Fund Balance	(55,867)	(55,867)	31,475	87,342
Fund Balance Beginning of Year	<u>129,240</u>	<u>129,240</u>	<u>129,240</u>	
Fund Balance End of Year	<u>\$73,373</u>	<u>\$73,373</u>	<u>\$160,715</u>	<u>\$87,342</u>

*See accompanying notes to the basic financial statements.*

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GASOLINE TAX FUND  
OR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$45,000	\$45,000	\$68,092	\$23,092
Earnings on Investments	3,000	3,000	1,199	(1,801)
Miscellaneous	200	200		(200)
Total receipts	<u>48,200</u>	<u>48,200</u>	<u>69,291</u>	<u>21,091</u>
<b>Disbursements</b>				
Public Works	182,500	182,500	60,999	121,501
Capital Outlay	25,000	25,000		25,000
Total Disbursements	<u>207,500</u>	<u>207,500</u>	<u>60,999</u>	<u>146,501</u>
Excess of Receipts Over (Under) Disbursements	<u>(159,300)</u>	<u>(159,300)</u>	<u>8,292</u>	<u>167,592</u>
Net Change in Fund Balance	(159,300)	(159,300)	8,292	167,592
Fund Balance Beginning of Year	<u>168,220</u>	<u>168,220</u>	<u>168,220</u>	
Fund Balance End of Year	<u><u>\$8,920</u></u>	<u><u>\$8,920</u></u>	<u><u>\$176,512</u></u>	<u><u>\$167,592</u></u>

*See accompanying notes to the basic financial statements.*

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
ROAD AND BRIDGE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$79,500	\$79,500	\$76,822	(\$2,678)
Intergovernmental	4,000	4,000	4,535	535
Miscellaneous	200	200	1,244	1,044
Total receipts	<u>83,700</u>	<u>83,700</u>	<u>82,601</u>	<u>(1,099)</u>
<b>Disbursements</b>				
Current:				
Public Works	166,000	166,000	60,705	105,295
Capital Outlay	15,000	15,000		15,000
Total Disbursements	<u>181,000</u>	<u>181,000</u>	<u>60,705</u>	<u>120,295</u>
Excess of Receipts Over (Under) Disbursements	<u>(97,300)</u>	<u>(97,300)</u>	21,896	119,196
Net Change in Fund Balance	(97,300)	(97,300)	21,896	119,196
Fund Balance Beginning of Year	<u>109,919</u>	<u>109,919</u>	<u>109,919</u>	
Fund Balance End of Year	<u>\$12,619</u>	<u>\$12,619</u>	<u>\$131,815</u>	<u>\$119,196</u>

*See accompanying notes to the basic financial statements.*

**JOHNSON TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
ROAD DISTRICT  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$47,200	\$47,200	\$45,941	(\$1,259)
Intergovernmental	2,000	2,000	3,164	1,164
Miscellaneous	100	100	810	710
Total receipts	<u>49,300</u>	<u>49,300</u>	<u>49,915</u>	<u>615</u>
<b>Disbursements</b>				
Current:				
Public Works	123,000	123,000	20,418	102,582
Total Disbursements	<u>123,000</u>	<u>123,000</u>	<u>20,418</u>	<u>102,582</u>
Excess of Receipts Over (Under) Disbursements	<u>(73,700)</u>	<u>(73,700)</u>	<u>29,497</u>	<u>103,197</u>
Net Change in Fund Balance	(73,700)	(73,700)	29,497	103,197
Fund Balance Beginning of Year	<u>85,190</u>	<u>85,190</u>	<u>85,190</u>	
Fund Balance End of Year	<u><u>\$11,490</u></u>	<u><u>\$11,490</u></u>	<u><u>\$114,687</u></u>	<u><u>\$103,197</u></u>

*See accompanying notes to the basic financial statements.*

**JOHNSON TOWNSHIP  
CHAMPAIGN**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**1. REPORTING ENTITY**

Johnson Township, Champaign County, (the "Township"), is a body politic and corporate founded in 1821 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 also has an elected Township Clerk. The Township provides road and bridge maintenance and contract with the Johnson-St. Paris EMS to provide emergency service to its residents.

The reporting entity is comprised of the primary government.

**A. Primary Government**

The primary government consists of all funds, departments, and boards that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges. Police protection is provided by the Champaign County Sheriff's Office.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

The Township has no component units.

**C. Joint Ventures**

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible. Notes to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the Township's accounting policies.

**JOHNSON TOWNSHIP  
CHAMPAIGN**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. The Township has no business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. The statement of net assets presents the cash balance of the Township activities at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

**2. Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental.

**1. Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Road & Bridges, Road District and Gasoline Tax Fund.



**JOHNSON TOWNSHIP  
CHAMPAIGN**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

**General Fund**

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**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:

**Road and Bridge Fund** – This fund receives tax levy money to pay for construction, maintaining and repairing Township roads.

**Road District Fund** – This fund receives tax levy money to pay for constructing, maintaining and repairing Township roads.

**Gasoline Tax Fund** – This fund receives money from Road Use Taxes and is used for constructing, maintaining and repairing Township roads.

**C. Basis of Accounting**

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section of this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

**JOHNSON TOWNSHIP  
CHAMPAIGN**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2004, the Township invested in an interest bearing savings account. The Township's money market fund investment is recorded at the amount reported by Fifth/Third Bank on December 31, 2004.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2004 was \$3,407 which includes \$1,672 assigned from other Township funds.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**G. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Township had no advances during 2004.

**JOHNSON TOWNSHIP  
CHAMPAIGN**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

The township had no restricted assets in 2004.

**M. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Township had no reservations of fund balance at December 31, 2004.

**N. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

**JOHNSON TOWNSHIP  
CHAMPAIGN**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax, Road and Bridge, and Road District Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis).

**5. DEPOSITS AND INVESTMENTS**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**JOHNSON TOWNSHIP  
CHAMPAIGN**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

6. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
8. The State Treasurer's investment pool (STAR Ohio).

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Township or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Township had \$0 in un-deposited cash on hand.

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$632,284 of the Township's bank balance of \$732,284 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**JOHNSON TOWNSHIP  
CHAMPAIGN**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2004, was \$48.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

<b>Real Property</b>	
Residential	\$19,402,330
Agriculture	6,584,850
Commercial/Industrial/Mineral	4,585,890
<b>Public Utility Property</b>	
Real	30,859,240
Personal	1,832,170
Tangible Personal Property	<u>21,562,248</u>
Total Assessed Value	<u>\$84,826,728</u>

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Government 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**JOHNSON TOWNSHIP  
CHAMPAIGN**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**Casualty Coverage**

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage**

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

**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 2004 and 2003 (the latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	(13,640,962)	(11,791,300)
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	(753,906)	(750,956)
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

**8. DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

**JOHNSON TOWNSHIP  
CHAMPAIGN**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 13.5 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$14,465, \$13,000, and \$15,074 respectively. The full amount has been contributed for 2004, 2003 and 2002. Contributions to the member-directed plan for 2004 were \$5,576 made by the Township and \$8,889 made by the plan members.

**9. POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.



**JOHNSON TOWNSHIP  
CHAMPAIGN**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund post-employment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

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

Johnson Township  
Champaign County  
P.O. Box 663  
St Paris, Ohio 43072-0663

To the Board of Trustees:

We have audited the financial statements of Johnson Township, Champaign County, (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 28, 2006, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated July 28, 2006, we reported a matter involving internal control over financial reporting we did not deem to be a reportable condition.

**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*. In a separate letter to management of the Township dated July 28, 2006, we reported other matters related to noncompliance we deemed immaterial.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

This report is intended solely 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 28, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**JOHNSON TOWNSHIP**

**CHAMPAIGN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 9, 2006**