



**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2009**



**Mary Taylor, CPA**  
Auditor of State





# Dave Yost • Auditor of State

February 3, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST  
Auditor of State

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VILLAGE OF JOHNSTOWN  
LICKING COUNTY

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# Mary Taylor, CPA Auditor of State

Village of Johnstown  
Licking County  
599 S. Main Street  
P.O. Box 457  
Johnstown, Ohio 43031

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 19, 2010

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Johnstown  
Licking County  
599 S. Main Street  
P.O. Box 457  
Johnstown, Ohio 43031

To the Village Council:

We have audited the accompanying financial statements of Village of Johnstown, Licking County, Ohio, (the Village) as of and for the year ended December 31, 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Johnstown, Licking County, as of December 31, 2009, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

As described in Note 11 for the year ended December 31, 2009 the Village changed 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* to the accounting practices the Auditor of State prescribes or permits.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.



**Mary Taylor, CPA**  
Auditor of State

November 19, 2010

VILLAGE OF JOHNSTOWN  
LICKING COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$ 278,318	\$ -	\$ -	\$ 278,318
Municipal Income Tax	958,675	-	-	958,675
Intergovernmental	189,266	171,639	155,331	516,236
Charges for Services	9,856	-	-	9,856
Fines, Licenses and Permits	211,782	2,311	-	214,093
Earnings on Investments	75,454	452	-	75,906
Miscellaneous	7,698	7,884	-	15,582
	<u>1,731,049</u>	<u>182,286</u>	<u>155,331</u>	<u>2,068,666</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	997,477	-	-	997,477
Public Health Services	5,888	-	-	5,888
Leisure Time Activities	65,227	-	-	65,227
Community Environment	184,744	85,621	-	270,365
Basic Utility Service	56,454	-	-	56,454
Transportation	-	144,873	-	144,873
General Government	425,478	3,873	-	429,351
Debt Service:				
Redemption of Principal	-	109,892	26,410	136,302
Interest and Fiscal Charges	-	95,821	13,655	109,476
Capital Outlay	-	10,000	20,551	30,551
	<u>1,735,268</u>	<u>450,080</u>	<u>60,616</u>	<u>2,245,964</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>(4,219)</u>	<u>(267,794)</u>	<u>94,715</u>	<u>(177,298)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In	-	-	262,777	262,777
Transfers-Out	(262,777)	-	-	(262,777)
Other Financing Uses	(3,177)	-	-	(3,177)
	<u>(265,954)</u>	<u>-</u>	<u>262,777</u>	<u>(3,177)</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(270,173)	(267,794)	357,492	(180,475)
Fund Cash Balances, January 1	<u>490,667</u>	<u>1,325,835</u>	<u>(303,843)</u>	<u>1,512,659</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 220,494</b></u>	<u><b>\$ 1,058,041</b></u>	<u><b>\$ 53,649</b></u>	<u><b>\$ 1,332,184</b></u>

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

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 2,155,615	\$ -	\$ 2,155,615
Total Operating Cash Receipts	<u>2,155,615</u>	<u>-</u>	<u>2,155,615</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	408,590	-	408,590
Employee Fringe Benefits	171,962	-	171,962
Contractual Services	222,337	-	222,337
Supplies and Materials	198,245	-	198,245
Claims	21,562	-	21,562
Total Operating Cash Disbursements	<u>1,022,696</u>	<u>-</u>	<u>1,022,696</u>
Operating Income/(Loss)	<u>1,132,919</u>	<u>-</u>	<u>1,132,919</u>
<b>Non-Operating Cash Receipts:</b>			
Proceeds of Loan	54,158	-	54,158
Miscellaneous Receipts	24,172	76,579	100,751
Total Non-Operating Cash Receipts	<u>78,330</u>	<u>76,579</u>	<u>154,909</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	687,735	-	687,735
Redemption of Principal	817,811	-	817,811
Interest and Other Fiscal Charges	259,899	-	259,899
Other Non-Operating Cash Disbursements	-	77,925	77,925
Total Non-Operating Cash Disbursements	<u>1,765,445</u>	<u>77,925</u>	<u>1,843,370</u>
Net Receipts Over/(Under) Disbursements	(554,196)	(1,346)	(555,542)
Fund Cash Balances, January 1	<u>2,077,747</u>	<u>20,347</u>	<u>2,098,094</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 1,523,551</u></b>	<b><u>\$ 19,001</u></b>	<b><u>\$ 1,542,552</u></b>

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

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Johnstown, Licking County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village operates by a charter passed by the voters in 1997. The Village provides water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except the financial statements do not include debt service funds external custodians maintain. Note 7 to the financial statements describes these assets.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values U.S. Treasury Notes at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

The Village had the following significant Special Revenue Funds:

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

Chambers Fund – This fund receives intergovernmental monies to account for future community projects and interest.

**3. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). This fund receives intergovernmental cash receipts and transfers in to account for Village improvements and retire outstanding debt.

**4. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents and commercial users to cover water service costs.

Sewer Fund - This fund receives charges for services from residents and commercial users to cover sewer service costs.

**5. Fiduciary Funds (Agency Fund)**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency fund accounts for:

Mayor's Court Fund – This fund receives monies from the collections on fines imposed from tickets issued by the Village's police protection force. Funds are collected, in part, on behalf of the State of Ohio.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2009 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Deposits and Investments**

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

	2009
Demand deposits	<u>\$879,157</u>
U.S. Treasury Notes	<u>1,995,579</u>
Total deposits and investments	<u><u>\$2,874,736</u></u>

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**2. Equity in Pooled Deposits and Investments (Continued)**

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

**Investments:** The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

**3. Budgetary Activity**

Budgetary activity for the year ending 2009 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,990,266	\$1,731,049	(\$259,217)
Special Revenue	591,808	182,286	(409,522)
Capital Projects	470,788	418,108	(52,680)
Enterprise	1,979,007	2,233,945	254,938
Total	\$5,031,869	\$4,565,388	(\$466,481)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,344,144	\$2,001,222	\$342,922
Special Revenue	790,079	450,080	339,999
Capital Projects	435,488	60,616	374,872
Enterprise	3,384,074	2,788,141	595,933
Total	\$6,953,785	\$5,300,059	\$1,653,726

Contrary to Ohio law, Estimated Resources were significantly less than actual resources in the General Fund and the Capital Projects fund type by \$331,930 and \$50,664 respectively for the year ended December 31, 2009. Also contrary to Ohio law, for the year ended December 31, 2009, the Village did not timely certify resources with the County Auditor. Further, contrary to Ohio law, the Capital Projects Fund Type had appropriations in excess of Estimated Resources in the amount of \$373,582.

**4. Property Tax**

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

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

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**4. Property Tax (Continued)**

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

**5. Local Income Tax**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Income tax revenue is received into the General fund of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. Debt**

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Municipal Building G.O. Bonds	\$495,000	6%
Police Cruiser Bonds	\$19,921	4.45%
Vehicle Bonds	\$10,848	4.42%
Equipment Acquisition Bonds \$41,140	\$21,906	4%
ODOT State Infrastructure Loan	\$570,768	0-3%
2006 OPWC - CQ14I	76,004	0%
2007 OPWC - CQ02A	\$97,223	0%
2007 OPWC - CQ15J	\$204,994	0%
1994 OPWC - CQ724	\$47,517	0%
1995 OPWC - CQ801	\$127,021	0%
1997 Water Mortgage Revenue Bonds	\$1,540,000	5.4%
Equipment Acquisition Bonds \$62,406	\$24,960	4.48%
2005 OPWC Loan	\$75,000	0%
2008 Sanitary Sewer System G.O. Bonds	\$595,000	4.4-6.125%
OPWC Loan - CQ12K	\$23,301	0%
OPWC Loan - CQ02E	\$218,750	0%
2002 OWDA - 3705	\$322,662	4.64%
2004 OWDA - 4098	\$4,404,125	2.22%
Total	<u>\$8,875,000</u>	

The general obligation bonds are supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The 2002 Ohio Water Development Authority (OWDA) loan relates to the design, planning, and construction of a new water storage tank. In 2004 an additional loan was entered into for the purpose of improvements to the wastewater treatment plant. Funds have been approved in the amount of \$5,593,700.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**6. Debt (Continued)**

The Mortgage Revenue bonds were obtained for the purpose of paying for improvements to the Village's water supply and waterworks system. Council authorized \$2,875,000 in bonds for the completion of this project. The bonds are collateralized by water receipts.

In May 2006, the Village entered into a loan agreement with the Ohio Department of Transportation (ODOT) through the State Infrastructure Bank for the amount not to exceed \$641,237 at an interest rate ranging from 0%-3% for the purpose of constructing approximately 1,500 lineal feet of new roadway to extend Commerce Drive within the existing industrial park

During 2007, the Village issued \$41,140 and \$62,406 in equipment acquisition bonds at 4.20% and 4.48% respectively. These bonds were recorded in the Village Capital Projects fund and Water fund and will be repaid over a period of 5 years.

**7.**

The Village participated in the 2007 State Capital Improvements Program offered by the Ohio Public Works Commission associated with the Hillview Drive Improvements (CQ12K). As part of this project, the Village entered into a loan of \$36,245 at 0% which would be repaid semi-annually by the Village over a period of 7 years. Once OPWC finalizes repayment terms an amortization schedule will be provided for the repayment of this outstanding debt.

The Village participated in the 2007 State Capital Improvements Program offered by the Ohio Public Works Commission associated with the Sunset Drive Improvements (CQ15J). As part of this project, the Village entered into a loan of \$409,985 at 0% which would be repaid semi-annually by the Village over a period of 5 years.

The Village has participated in several other State Capital Improvements Programs offered by the Ohio Public Works Commission. These are all 0% interest loans that will be paid semi-annually by the Village of a period ranging from 5-20 years. These are associated with the replacements of water wells, water lines, water tanks and water treatment plant improvements. These will be paid for with revenue from water and sewer fees.

In August 2008 the Village issued \$29,243 of bonds at an interest rate of 4.45% for the purposes of purchasing police cruisers for the Village. These bonds were recorded within the Village Capital Project fund and will be repaid over a period of 3 years.

The Village issued \$650,000 Sanitary Sewer System Improvement General Obligation Bonds during 2008 with stated interest rates ranging from 4.4% to 6.125% with stated final maturity in December 2017.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**6. Debt (Continued)**

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

Year ending 12/31:	Munic. Building G.O Bond	Police Cruiser Bonds	Vehicle Bonds	Equipment Acquisition Bonds \$41,140	ODOT State Infrastructure Loan	2006 OPWC - CQ141	2007 OPWC - CQ02A	1994 OPWC - CQ724	1995 OPWC - CQ801
2010	\$ 136,862	\$ 10,522	\$ 5,666	\$ 8,214	\$ 90,672	\$ 76,004	\$ 11,438	\$ 11,114	\$ 21,170
2011	133,202	10,522	5,666	8,568	90,672	-	11,438	11,114	21,170
2012	134,182	-	-	8,936	90,672	-	11,438	11,114	21,170
2013	134,746	-	-	-	90,672	-	11,438	11,114	21,170
2014	-	-	-	-	90,672	-	11,438	3,061	21,170
2015-2019	-	-	-	-	181,344	-	40,033	-	21,170
2020-2024	-	-	-	-	-	-	-	-	-
2025-2029	-	-	-	-	-	-	-	-	-
2030-2034	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$538,992</b>	<b>\$21,044</b>	<b>\$11,332</b>	<b>\$25,718</b>	<b>\$634,704</b>	<b>\$76,004</b>	<b>\$97,223</b>	<b>\$47,517</b>	<b>\$127,020</b>

Year ending 12/31:	1997 Water Mortgage Revenue Bonds	Equipment Acquisition Bonds - \$62,406	2005 OPWC Loan	2008 Sanitary Sewer System G.O. Bonds	OPWC Loan - CQ12K	OPWC Loan - CQ02E	2002 OWDA- 3705	2004 OWDA - 4098	OPWC Loan CQ15J
2010	\$ 246,800	\$ 13,042	\$ 5,000	\$ 93,102	\$ 5,178	\$ 17,500	\$ 22,970	\$ 347,880	\$ 81,996
2011	247,500	13,037	5,000	95,462	5,178	17,500	22,970	347,880	81,996
2012	247,600	-	5,000	97,212	5,178	17,500	22,970	347,880	41,002
2013	247,100	-	5,000	93,712	5,178	17,500	22,969	347,880	-
2014	246,000	-	5,000	95,212	2,589	17,500	22,969	347,880	-
2015-2019	735,100	-	25,000	191,336	-	87,500	114,849	1,739,400	-
2020-2024	-	-	25,000	95,512	-	43,750	114,846	1,739,400	-
2025-2029	-	-	-	-	-	-	114,846	347,880	-
2030-2034	-	-	-	-	-	-	59,907	-	-
<b>Total</b>	<b>\$1,970,100</b>	<b>\$26,079</b>	<b>\$75,000</b>	<b>\$761,548</b>	<b>\$23,301</b>	<b>\$218,750</b>	<b>\$519,296</b>	<b>\$5,566,080</b>	<b>\$ 204,994</b>

**7. Debt Service Trust Funds**

The Water Mortgage Revenue Bonds agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2009, the custodian held \$247,690 in Village assets. The accompanying financial statements do not include these assets or the related receipts and disbursements.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(Continued)**

**8. Retirement Systems**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009, OP&F participants contributed 10% of their wages. For 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**9. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

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

**10. Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**11. Change in Basis of Accounting**

For the year ended December 31, 2009, the Village changed 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* to the accounting practices the Auditor of State prescribes or permits. This change did not result in a restatement of the fund balances.



# Mary Taylor, CPA

Auditor of State

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

Village of Johnstown  
Licking County  
599 S. Main Street  
P.O. Box 457  
Johnstown, Ohio 43031

To the Village Council:

We have audited the financial statements of Village of Johnstown, Licking County, Ohio (the Village) as of and for the year ended December 31, 2009 and have issued our report thereon dated November 19, 2010, wherein we noted the Village changed their financial presentation and prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-04 through 2009-07 described in the accompanying schedule of findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village'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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-01 through 2009-03 and 2009-07 through 2009-013.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 19, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Village Council and others within the Village. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 19, 2010

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009**

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

**FINDING NUMBER 2009-001**

**Finding for Recovery – Noncompliance – No supporting Documentation**

**Ohio Rev. Code Section 149.351** states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code.

Additionally, 1982 Op. Att’y Gen. No. 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of *State ex rel. McClure v. Hagerman* (1951), 155 Ohio St. 320, provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, 1982 Op. Atty Gen. No. 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003- 005 states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

We noted the following expenditures were not supported by an invoice and do not appear to be for a proper public purpose.

<b>Date</b>	<b>Check #</b>	<b>Amount</b>	<b>Vendor</b>	<b>Warrant Description</b>	<b>Purchase Location</b>	<b>Person Receiving Benefit</b>
7/4/2006	2825	\$ 103.00	Wilson's Leather Sandra	M/O E/WD PL TLUX D & Edge	Schaumburg, IL	Sarah Phillips
11/3/2008	CG11032008	\$ 60.00	Berry	Cashed - prepaid	Johnstown, OH	Sandra Berry
	<b>TOTAL</b>	<b>\$ 163.00</b>				

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074: Ohio Rev. Code Section 9.39; *State, ex rel. Village of Linndale v. Masten* (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

Because she signed check # 2825, Sandra Berry, former Finance Director, and her bonding company, Hartford Insurance Group, will be jointly and severally liable in the amount of \$103, and in favor of the General Fund, to the extent that recovery is not obtained from Sarah Phillips.

\*\* Further, it was noted that Sarah Phillips subsequently took a City Manager position with the City of Rolling Meadows, Illinois.

VILLAGE OF JOHNSTOWN  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009  
(Continued)

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

FINDING NUMBER 2009-001 (Continued)

**Finding for Recovery – Noncompliance – No supporting Documentation (Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Sarah Phillips, former Village Administrator, in the amount of \$103 and against Sandra Berry, former Finance Director, and Hartford Insurance Group, her bonding company, jointly and severally, in the amount of \$60, all in favor of the General Fund.

**Officials' Response:** Council has been made aware of this finding and will encourage controls which no longer allow these types of activities.

FINDING NUMBER 2009-002

**Finding for Recovery – Noncompliance – Cash Advance**

**Ohio Rev. Code Section 149.351** states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code.

1982 Op. Att'y Gen. No. 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of *State ex rel. McClure v. Hagerman* (1951), 155 Ohio St. 320, provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, 1982 Op. Att'y Gen. No. 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003- 005 states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Village of Johnstown maintains several credit cards through the National City Bank. Employees of the Village are assigned credit cards with separate account identifiers. When the Village receives the monthly credit statements they can then compare the expenditures to supporting documentation.

It was noted on December 30, 2005, Sarah Phillips, former Village Manager made a \$150 cash advance with \$4 of an associated cash advance fee. There was no support provided for this cash advance.

Without appropriate documentation, it is not possible to determine if the expenditure was made for a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Village's finances, making it difficult to identify errors which could go undetected, and could possibly result in expenditures that are not for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Revised Code 117.28 a Finding for Recovery for public monies illegally expended is hereby issued against Sarah Phillips, former Village Manager, in the amount of \$154 in favor of the Village of Johnstown General Fund.

VILLAGE OF JOHNSTOWN  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009  
(Continued)

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

FINDING NUMBER 2009-002 (Continued)

**Finding for Recovery – Noncompliance – Cash Advance (Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex rel. Village of Linndale v. Masten* (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

Because she signed the Village check which paid for the cash advance, Sandra Berry, former Finance Director, and her bonding company, Hartford Insurance Group, will be jointly and severally liable in the amount of \$154, and in favor of the Village of Johnstown, to the extent that recovery is not obtained from Sarah Phillips.

**Officials’ Response:** Council has been made aware of this finding and will encourage controls which no longer allow these types of activities.

FINDING NUMBER 2009-003

**Finding for Recovery – Noncompliance – Proper Public Purpose**

1982 Op. Att’y Gen. No. 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of *State ex rel. McClure v. Hagerman* (1951), 155 Ohio St. 320, provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, 1982 Op. Att’y Gen. No. 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003- 005 states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

We noted the following expenditures did not appear to be for a proper public purpose.

In March 2007, and April 2009, Sandra Berry, former Finance Director, used the Village’s credit card to purchase airline tickets for her husband in the amount of \$399.60 and \$289.60 respectively. There was no evidence to indicate the Village was reimbursed for these purchases.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Sandra Berry, former Finance Director, and Hartford Insurance Group, her bonding company, in the amount of \$689, and in favor of the Village’s General Fund.

**Officials’ Response:** Council has been made aware of this finding and will encourage controls which no longer allow these types of activities.

VILLAGE OF JOHNSTOWN  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009  
(Continued)

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

FINDING NUMBER 2009-004

**Council Monitoring – Monthly Reports – Material Weakness**

As noted in Findings 2009-001 and 2009-007, financial records were not adequately maintained by the Fiscal Officer. Additionally, proper Council monitoring was not performed to determine that the required records were maintained. These records would include monthly bank reconciliations, budget reports, receipt and expenditure ledgers and payroll reports.

Due to the small size of the Village, there is no direct management oversight of the recording and reporting of the financial activity. In order to assure adequate segregation of duties and monitoring of accounting activity, it is essential that an accounting system that is primarily operated by a single individual (Fiscal Officer), be monitored by the Village Council.

Therefore, it is Council's responsibility to monitor monthly reports and check to determine that related documents agree. It is important that the Council monitor financial activity closely. At each regular monthly meeting, at a minimum, the Council should require that the bank reconciliation and the detailed budget and actual receipt and disbursement reports be provided for review. Monthly bank reconciliations should be reviewed to ensure bank balances agree with the monthly fund balances. Any reconciling items should be reviewed to verify there are no unexplained items, and/or that the explanations are factual. The detailed budget versus actual reports should be reviewed to determine that receipts are in line with estimates and that expenditures are within appropriations and if necessary, appropriate budget modifications be updated. It was discovered that comprehensive bank reconciliations were not being performed by the Finance Director from July through December 2009.

Council should carefully review the following information and make appropriate inquiries to assure the continued integrity of accounting information in order to make informed decisions to manage the Village, such as the following:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- When cash is available, is the Village maximizing its return on invested cash balances?
- Are the Village records, reports and cash reconciliations maintained and presented in a timely manner that provides accurate and meaningful information to Council?
- Are errors and irregularities examined timely and are those responsible for providing accounting information being held accountable for providing accurate and complete financial information.

We recommend the Village Council document receipt and review of all of these reports in the minutes. Also, a designated Council Member should sign or initial and date these reports as evidence of review in order to improve the monitoring controls over the Village activities.

**Officials' Response:** Council will take the responsibility to monitor monthly financial statements and a representative will initial the review.

VILLAGE OF JOHNSTOWN  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009  
(Continued)

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

FINDING NUMBER 2009-005

**Bank Reconciliations – Material Weakness**

The former Village Finance Director performed monthly bank reconciliations from January through June 2009. No bank reconciliations were performed from July through December 2009.

Also, no bank reconciliations were performed over the Mayor's Court Bank account or the Water/Sewer bank accounts during 2009.

A basic function of any Village finance department is to perform monthly bank reconciliations for all accounts held. The Village system should be reconciled to the sum of all cash held in all accounts. Performance of monthly bank reconciliations is essential in order to monitor the existence of cash. Standard bank reconciliations could easily bring to light any missing cash. Cash assets are most susceptible to fraud and abuse due to the difficulty in tracking its movement through the system. For this reason it is important to perform monthly bank reconciliations.

Failure to perform monthly bank reconciliations and system reconciliations could result in the theft, misuse and abuse of Village assets, as well as, errors in the accounting ledgers and misstatements in the financial statements.

We recommend the Village perform monthly bank reconciliations and submit the reconciliations to Council for review and approval.

**Officials' Response:** Bank reconciliations will be performed on a monthly basis by the Finance Director and will be submitted to Council for approval.

FINDING NUMBER 2009-006

**Financial Statement Presentation – Material Weakness**

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

The Finance Director did not always accurately post receipts and disbursements to the Village's accounting system. The following posting errors were noted:

**2009**

- As noted in Finding 2009-008, the Village incorrectly posted \$60,591 of Interest Revenue in funds not legally allowed to receive interest revenue. The entire amount was adjusted out of the improper Capital Project and Enterprise funds and into the General Fund.
- The Village incorrectly posted Principal Payments and Interest Payments as Community Environment and Capital Outlay. These amounts were reclassified in the Special Revenue Fund for \$130,713, the Capital Projects Fund by \$30,041 and the Enterprise Funds by \$24,882.
- The Village also did not post \$54,158 of an Ohio Public Works Commission on-behalf-of loan as required by Audit Bulletin 2000-008.

VILLAGE OF JOHNSTOWN  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009  
(Continued)

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

FINDING NUMBER 2009-006 (Continued)

**Financial Statement Presentation – Material Weakness (Continued)**

The Village's financial statements and accounting records have been adjusted to accurately reflect the proper line item classifications and fund postings.

The Village also incorrectly posted \$12,494 in Homestead and Rollback receipts as Property and Other Taxes instead of correctly as Intergovernmental, and posted a tax settlement at net instead of at gross. These errors were not material and will be placed on the Summary of Unadjusted Differences.

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statements requiring numerous audit adjustments and reclassification entries, as well as inaccurate accounting records making it difficult for the Village Council to effectively manage and budget for the Village's activities.

We recommend the Village's Finance Director takes steps to ensure the accurate posting of all transactions to the ledgers and financial statements. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and AOS Bulletins. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

**Officials' Response:** Financial posting errors have been reviewed and the Finance Director will follow AOS bulletins to ensure proper posting of transactions.

FINDING NUMBER 2009-007

**Maintaining Supporting Documentation for Disbursements – Noncompliance/Material Weakness**

**Ohio Rev. Code Section 149.351** requires that all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code Sections 149.38 through 149.42.

We noted the following issue in regard to the underlying documentation and support of certain financial transactions:

In calendar years 2007 through 2009, there were many payments to vendors and reimbursements to Village employees that did not have proper supporting documentation. Except as noted in finding 2009-001, we were able to ensure proper public purpose through alternative procedures.

Failure to maintain organized underlying documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and expenditures that are not for a proper public purpose.

We recommended the Village maintain all invoices, purchase orders, and check stubs attached to each other for all financial transactions occurring within the Village.

**Officials' Response:** Council is aware that records and support documents were not being properly maintained and will monitor to ensure compliance with records commission rules.

VILLAGE OF JOHNSTOWN  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009  
(Continued)

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

FINDING NUMBER 2009-008

Interest Allocation – Non Compliance

Ohio Rev. Code Section 135.21 generally requires investment earnings, except as provided in section 135.351 of the Revised Code and by resolution adopted pursuant to section 3315.01 or 3375.391 of the Revised Code, shall be credited to the general fund of the Village to which the principal sum thereof belongs. Ohio Const. Article XII, Section 5a and 1982 Op. Atty Gen. No. 82-031 provide an exception that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

Interest earnings were improperly allocated among the following Village funds in 2009; these amounts should have been posted to the General Fund:

Fund	FY2009
Council Projects	(\$34,647)
Water Operating	(\$6,218)
Sewer Operating	(\$3,585)
Water Enterprise Improvement	(\$2,243)
Sewer Enterprise Improvement	(\$7,389)
Water Enterprise Debt	(\$2,142)
Sewer Enterprise Debt	(\$4,355)
Water Enterprise Deposit	(\$12)
General Fund	\$60,591

We recommend the Village ensure procedures are instituted to allocate the proportionate share of interest earned to the funds for which interest should be allocated in accordance with the Ohio Revised Code statutes on a monthly basis.

As noted in finding 2009-006, the Village's financial statements and accounting records have been adjusted to properly post the interest receipts to the funds as indicated above.

**Officials' Response:** The Finance Director corrected the interest posting error and will follow proper procedures moving forward.

FINDING NUMBER 2009-009

Appropriations Exceeding Estimated Resources - Noncompliance

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated resources. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Village did not obtain a County Auditor Certificate that total appropriations from each fund do not exceed the total amended official estimate.

VILLAGE OF JOHNSTOWN  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009  
(Continued)

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

FINDING NUMBER 2009-009 (Continued)

Appropriations Exceeding Estimated Resources – Noncompliance (Continued)

Total appropriations exceeded the total estimated resources at year end as follows:

<u>Fund Type</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Capital Projects	\$61,906	\$435,488	(\$373,582)

This could result in the Village overspending available resources.

We recommend the Village monitor budgetary amounts in the future and approve necessary modifications.

**Officials' Response:** The Village Council will monitor budgetary amounts and approve changes as necessary.

FINDING NUMBER 2009-010

Annual Report Filing - Noncompliance

**Ohio Revised Code section 117.38** states, each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. The auditor of state may extend the deadline for filing a financial report and establish terms and conditions for any such extension. At the time the report is filed with the auditor of state, the chief fiscal officer, except as otherwise provided in section 319.11 of the Revised Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

We noted the Village had not filed their 2009 annual report with the AOS as of August 18, 2010.

Failure to file annual reports within 60 days of fiscal year-end could result in the misstatement of Village funds.

We recommend Village file their annual report within the required 60 day dead line.

**Officials' Response:** The Finance Director will correct the filing non compliance and will follow proper procedures moving forward.

VILLAGE OF JOHNSTOWN  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009  
(Continued)

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

FINDING NUMBER 2009-011

ICMA Transactions - Noncompliance

Ohio Rev. Code Sections 2921.43(A)(1) states the following:

- (A) No public servant shall knowingly solicit or accept, and no person shall knowingly promise or give to a public servant, either of the following:
- (1) Any compensation, other than as allowed by divisions (G), (H), and (I) of section 102.03 of the Revised Code or other provisions of law, to perform the public servant's official duties, to perform any other act or service in the public servant's capacity, for the general performance of the duties of the public servant's public office or public employment, or as a supplement to the public servant's public compensation;

Sarah Phillips, as Village Administrator, was an active member in the International City/County Management Association (ICMA).

It was noted that Sarah Phillips took many trips for ICMA, however, Miss Phillips took little or no leave from the Village for these trips. However, for several of these trips ICMA either reimbursed her travel or paid her a stipend in exchange for her work as a consultant, in the total amount of \$9,565.03.

We recommend the Village adopt a policy that would prevent this from happening in the future.

This matter will be referred to the Ohio Ethics Commission.

**Officials' Response:** The Village Council will adopt a policy to prevent this from happening in the future.

FINDING NUMBER 2009-012

Actual Revenue Deficiency – Noncompliance

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The Village had a deficiency of actual resources compared to total estimated resources in the following fund types at December 31, 2009, which should have also resulted in a decrease to the appropriation level:

Fund Type	Actual Resources	Estimated Resources	Variance
General Fund	\$2,253,277	\$2,585,207	(\$331,930)
Capital Projects	\$11,242	\$61,906	(\$50,664)

VILLAGE OF JOHNSTOWN  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009  
(Continued)

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

FINDING NUMBER 2009-012 (Continued)

**Actual Revenue Deficiency – Noncompliance**

We recommend the Village implement procedures to monitor estimated and actual revenues and request an amended certificate of estimated resources and reduce appropriations, when necessary, when it becomes evident that estimated sources of revenue will be below projections for the year.

**Officials' Response:** The Village Council will monitor and file budgetary amounts and approve changes as necessary.

FINDING NUMBER 2009-013

**Certification of Funds – Non Compliance**

**Ohio Rev. Code 5705.36(A)(1)** requires on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any encumbered balances that existed at the end of the preceding year. In addition, this section allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenues to be collected will be greater or less than the amount in the official certificate of estimated resources.

For fiscal year 2009 the Village failed to certify the total amount available from each fund to the County auditor by the required date of January 1, 2009. They were not submitted to the County auditor until February 13, 2009.

Failure to certify year-end balances to the County auditor, the Village has no basis upon which to make the following years appropriations, which could result in negative fund balances.

We recommend the Village file its Certificate of Available Revenue with the County auditor on or about the first day of each fiscal year, and should amend it throughout the year as deemed necessary. The Village should consult its legal counsel and review the Auditor of State's, Ohio Compliance Supplement, and develop a budgetary schedule and timeline to assure that all yearly budgetary filings and compliance requirements are met.

**Officials' Response:** The Village Council will monitor and file budgetary amounts and approve changes as necessary.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-01 & 2008-001	Ohio Rev. Code 5705.09 – to establish a Bond Retirement Fund for the retirement of serial bonds	Yes	
2008-02	Ohio Rev. Code 5705.41(d) – Prior Certification of Funds	Yes	



**Mary Taylor, CPA**  
Auditor of State

VILLAGE OF JOHNSTOWN

LICKING COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 3, 2011