

VILLAGE OF JOHNSTOWN
AUDIT REPORT
JANUARY 1, 2012 - DECEMBER 31, 2013

Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701



Dave Yost • Auditor of State

Village Council
Village of Johnstown
599 S. Main Street
Johnstown, Ohio 43031

We have reviewed the *Independent Auditors' Report* of the Village of Johnstown, Licking County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

July 17, 2014

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**VILLAGE OF JOHNSTOWN
LICKING COUNTY
JANUARY 1, 2012 - DECEMBER 31, 2013**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Village of Johnstown
Licking County
599 S. Main Street
Johnstown, Ohio 43031

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Johnstown, Licking County, as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Johnstown as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Johnstown, Licking County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 20, 2014, on our consideration of the Village of Johnstown'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. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 20, 2014

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts					
Property Tax and Other Local Taxes	\$ 237,649	\$ -	\$ -	\$ -	\$ 237,649
Municipal Income Tax	1,566,329	-	-	-	1,566,329
Special Assessments	-	-	-	-	-
Intergovernmental Receipts	89,944	202,225	-	-	292,169
Charges for Services	1,830	-	-	-	1,830
Fines, Licenses, and Permits	176,233	2,246	-	-	178,479
Earnings on Investments	9,190	-	-	-	9,190
Total Cash Receipts	<u>2,081,175</u>	<u>204,471</u>	<u>-</u>	<u>-</u>	<u>2,285,646</u>
Cash Disbursements					
Current:					
Security of Persons and Property	990,521	772	-	-	991,293
Public Health Services	16,500	-	-	-	16,500
Leisure Time Activities	26,737	-	-	-	26,737
Community Environment	94,411	1,600	-	-	96,011
Basic Utility Service	51,688	-	-	-	51,688
Transportation	69,888	186,210	-	-	256,098
General Government	534,353	886	-	-	535,239
Debt Service					
Principal	-	-	233,494	-	233,494
Interest	-	-	14,322	-	14,322
Capital Outlay	-	40,947	-	176,655	217,602
Total Cash Disbursements	<u>1,784,098</u>	<u>230,415</u>	<u>247,816</u>	<u>176,655</u>	<u>2,438,984</u>
Total Receipts Over/(Under) Disbursements	297,077	(25,944)	(247,816)	(176,655)	(153,338)
Other Financing Receipts/(Disbursements)					
Transfers - In	-	-	240,000	180,000	420,000
Transfers - Out	(420,000)	-	-	-	(420,000)
Total Other Financing Receipts/(Disbursements)	(420,000)	-	240,000	180,000	-
Excess of cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	(122,923)	(25,944)	(7,816)	3,345	(153,338)
Fund Cash Balances, January 1, 2013	<u>738,125</u>	<u>832,006</u>	<u>91,227</u>	<u>61,810</u>	<u>1,723,168</u>
Fund Cash Balances, December 31, 2013					
Nonspendable	-	-	-	-	-
Assigned	44,558	4,261	-	10,908	59,727
Restricted	-	801,801	83,411	54,247	939,459
Committed	-	-	-	-	-
Unassigned (Deficit)	570,644	-	-	-	570,644
Fund Cash Balances, December 31, 2013	<u>\$ 615,202</u>	<u>\$ 806,062</u>	<u>\$ 83,411</u>	<u>\$ 65,155</u>	<u>\$ 1,569,830</u>

See notes to financial statements.

**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, 2013**

	<u>Proprietary</u>	<u>Fiduciary</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 2,293,782	\$ -	\$ 2,293,782
Total Operating Cash Receipts	<u>2,293,782</u>	<u>-</u>	<u>2,293,782</u>
Operating Cash Disbursements:			
Personal Services	361,444	-	361,444
Employee Fringe Benefits	150,784	-	150,784
Contractual Services	245,616	-	245,616
Supplies and Materials	217,970	-	217,970
Other	52,324	-	52,324
Total Operating Cash Disbursements	<u>1,028,138</u>	<u>-</u>	<u>1,028,138</u>
Operating Income/(Loss)	<u>1,265,644</u>	<u>-</u>	<u>1,265,644</u>
Non-Operating Cash Receipts:			
Other Non-operating Receipts	-	90,822	90,822
Total Non-Operating Cash Receipts	<u>-</u>	<u>90,822</u>	<u>90,822</u>
Non-Operating Cash Disbursements:			
Other Non-operating Cash Disbursements	-	93,235	93,235
Debt Service-Principal	569,814	-	569,814
Debt Service-Interest	141,942	-	141,942
Capital Outlay	175,667	-	175,667
Total Non-Operating Cash Disbursements	<u>887,423</u>	<u>93,235</u>	<u>980,658</u>
Net Receipts Over/(Under) Disbursements	<u>378,221</u>	<u>(2,413)</u>	<u>375,808</u>
Fund Cash Balances, January 1	<u>1,456,445</u>	<u>18,873</u>	<u>1,475,318</u>
Fund Cash Balances, December 31	<u>\$ 1,834,666</u>	<u>\$ 16,460</u>	<u>\$ 1,851,126</u>

See notes to financial statements.

VILLAGE OF JOHNSTOWN
LICKING COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property Tax and Other Local Taxes	\$ 222,203	\$ -	\$ -	\$ -	\$ 222,203
Municipal Income Tax	2,073,870	-	-	-	2,073,870
Special Assessments	-	-	-	-	-
Intergovernmental Receipts	81,154	215,612	-	-	296,766
Charges for Services	8,804	-	-	-	8,804
Fines, Licenses, and Permits	136,612	540	-	-	137,152
Earnings on Investments	10,286	-	-	-	10,286
Miscellaneous	37,822	-	-	-	37,822
Total Cash Receipts	2,570,751	216,152	-	-	2,786,903
Cash Disbursements					
Current:					
Security of Persons and Property	1,037,008	-	-	-	1,037,008
Public Health Services	16,455	-	-	-	16,455
Leisure Time Activities	26,481	-	-	-	26,481
Community Environment	77,283	-	-	-	77,283
Basic Utility Service	48,878	-	-	-	48,878
Transportation	67,301	186,916	-	-	254,217
General Government	439,748	1,340	-	-	441,088
Debt Service					
Principal	-	-	210,198	-	210,198
Interest	-	-	26,729	-	26,729
Capital Outlay	-	154,507	-	341,721	496,228
Total Cash Disbursements	1,713,154	342,763	236,927	341,721	2,634,565
Total Receipts Over/(Under) Disbursements	857,597	(126,611)	(236,927)	(341,721)	152,338
Other Financing Receipts/(Disbursements)					
Transfers - In	-	-	256,912	231,000	487,912
Transfers - Out	(487,912)	-	-	-	(487,912)
Total Other Financing Receipts/(Disbursements)	(487,912)	-	256,912	231,000	-
Excess of cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	369,685	(126,611)	19,985	(110,721)	152,338
Fund Cash Balances, January 1, 2012	368,440	958,617	71,242	172,531	1,570,830
Fund Cash Balances, December 31, 2012					
Nonspendable	-	-	-	-	-
Assigned	366,967	-	-	-	366,967
Restricted	-	832,006	91,227	61,810	985,043
Committed	-	-	-	-	-
Unassigned (Deficit)	371,158	-	-	-	371,158
Fund Cash Balances, December 31, 2012	\$ 738,125	\$ 832,006	\$ 91,227	\$ 61,810	\$ 1,723,168

See notes to financial statements.

**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, 2012**

	<u>Proprietary</u>	<u>Fiduciary</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 2,904,433	\$ -	\$ 2,904,433
Total Operating Cash Receipts	<u>2,904,433</u>	<u>-</u>	<u>2,904,433</u>
Operating Cash Disbursements:			
Personal Services	385,590	-	385,590
Employee Fringe Benefits	163,990	-	163,990
Contractual Services	385,719	-	385,719
Supplies and Materials	248,113	-	248,113
Other	42,110	-	42,110
Total Operating Cash Disbursements	<u>1,225,522</u>	<u>-</u>	<u>1,225,522</u>
Operating Income/(Loss)	<u>1,678,911</u>	<u>-</u>	<u>1,678,911</u>
Non-Operating Cash Receipts:			
Other Non-operating Receipts	-	93,721	93,721
Total Non-Operating Cash Receipts	<u>-</u>	<u>93,721</u>	<u>93,721</u>
Non-Operating Cash Disbursements:			
Other Non-operating Cash Disbursements	-	98,775	98,775
Debt Service-Principal	685,311	-	685,311
Debt Service-Interest	207,100	-	207,100
Capital Outlay	607,597	-	607,597
Total Non-Operating Cash Disbursements	<u>1,500,008</u>	<u>98,775</u>	<u>1,598,783</u>
Net Receipts Over/(Under) Disbursements	178,903	(5,054)	173,849
Fund Cash Balances, January 1	<u>1,277,542</u>	<u>23,927</u>	<u>1,301,469</u>
Fund Cash Balances, December 31	<u>\$ 1,456,445</u>	<u>\$ 18,873</u>	<u>\$ 1,475,318</u>

See notes to financial statements.

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

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, Ohio (the Village) as a body corporate and politic. A publicly-elected seven-member council directs the Village. The Village operates by charter passed by the voters in 1997. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

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

B. Basis of Accounting

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 prescribed or permitted by the Auditor of State.

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.

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:

Governmental Funds

General Fund

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

Special Revenue Funds

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

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

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

Estate Tax Fund – This fund receives donated monies to account for future community projects.

Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. These funds are also used for payment of special assessments.

Debt Service Fund – This fund accounts for resources the Village accumulated to pay bond and note debt.

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Funds:

Capital Projects Fund - This fund receives transfers from the general fund that is used for construction of and improvements to the Village.

Enterprise Funds

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

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

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

Fiduciary Funds

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 had the following significant Fiduciary Fund:

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Fiduciary Funds

Mayors Court Fund - This fund receives fines and fees levied for traffic violations as prescribed by Village Ordinance. The funds are distributed to various agencies as prescribed by the Ohio Revised Code.

E. Budgetary Process

The Ohio Revised Code requires that the Village budget annually.

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

Committed – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically a committed to satisfy contractual requirements.

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

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

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

G. Property, Plant, and Equipment

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

H. 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 CASH AND INVESTMENTS

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

	2013	2012
Demand Deposits	\$ 666,543	\$ 441,498
Certificates of Deposits	2,754,413	2,476,442
Total Deposits	3,420,956	2,917,940
U.S. Treasury Notes	-	280,546
Total Deposits and Investments	\$ 3,420,956	\$ 3,198,486

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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 ended December 31, 2013 and 2012 is as follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,057,262	\$ 2,081,175	\$ 23,913
Special Revenue	249,071	204,471	(44,600)
Debt Service	240,000	240,000	-
Capital Projects	180,000	180,000	-
Enterprise	1,886,000	2,293,782	407,782
Total	<u>\$ 4,612,333</u>	<u>\$ 4,999,428</u>	<u>\$ 387,095</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,754,223	\$ 2,248,656	\$ 505,567
Special Revenue	368,661	234,676	133,985
Debt Service	255,500	247,816	7,684
Capital Project	192,000	187,563	4,437
Enterprise	2,346,561	2,004,926	341,635
Total	<u>\$ 5,916,945</u>	<u>\$ 4,923,637</u>	<u>\$ 993,308</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,061,650	\$ 2,570,751	\$ 509,101
Special Revenue	249,071	216,152	(32,919)
Debt Service	202,500	256,912	54,412
Capital Projects	217,500	231,000	13,500
Enterprise	1,837,190	2,904,433	1,067,243
Total	<u>\$ 4,567,911</u>	<u>\$ 6,179,248</u>	<u>\$ 1,611,337</u>

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

3. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,424,814	\$ 2,568,033	\$ (143,219)
Special Revenue	656,725	342,763	313,962
Debt Service	256,912	236,927	19,985
Capital Projects	357,977	341,721	16,256
Enterprise	2,453,508	2,873,233	(419,725)
Total	\$ 6,149,936	\$ 6,362,677	\$ (212,741)

Contrary to Ohio Revised Code 5705.41(B), the Village had the following funds in 2012 that had expenditures greater than appropriation: General Fund, Mayors Court Computer Fund, Water Fund, Sewer Improvement Fund, Water Debt Service Fund and Sewer Debt Service Fund. **Contrary to Ohio Revised Code Section 5705.39**, the following funds had appropriations greater than estimated Resources: In 2012, State Highway Fund, Education and Enforcement Fund, Babcocks Projects Fund and FEMA Fund. In 2013, FEMA Fund.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 make semiannual payment, the first half is due by December 31. The second half payment is due the following June 20.

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

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	%
ODOT State Infrastructure Loan	258,290	0.0-3.0
2011 OPWC CQ28M	86,753	6.0
2010 OPWC CT57L	58,584	0.0
2007 OPWC CQ02A	57,189	0.0
2007 OPWC CQ15J	41,000	0.0
2005 OPWC CQ02G	60,000	0.0
1994 OPWC CQ724	15,839	0.0
1995 OPWC CQ801	63,511	0.0
2011 Water Mortgage Revenue Bonds	705,000	5.4
2008 Sanitary Sewer System G.O. Bonds	330,000	4.4-6.2
OPWC Loan CQ12K	7,767	0.0
OPWC Loan CQ02E	166,250	0.0
2002 OWDA 3705	283,147	4.64
2004 OWDA 4098	3,267,053	2.22
Total	\$ 5,400,383	

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

5. DEBT (Continued)

Debt was previously stated at \$7,351,843 as of December 31, 2011. It should have been stated as \$7,099,200 as the OPWC CQ724, OWDA 3705 and OWDA 4098 were overstated.

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.

2011 Water Mortgage Revenue Bonds refinanced the 1997 Water Mortgage Revenue Bonds which were issued for the improvements to the Village's water supply and waterworks system. 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.

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.

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.

The Village issued \$650,000 Sanitary Sewer System Improvement General Obligation Bonds during 2008 with stated interest rates ranging from 4.45% to 6.125% with stated final maturity in December 2017.

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

Year Ending December 31	ODOT Loan	Water Revenue Bonds	Sewer Bonds
2014	\$ 90,578	\$ 186,695	\$ 95,212
2015	91,886	188,125	95,619
2016	83,350	189,450	95,718
2017	-	-	95,513
2018	-	-	-
2019-2023	-	-	-
2024-2028	-	-	-
2028-2033	-	-	-
	\$ 265,814	\$ 564,270	\$ 382,062

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

5. DEBT (Continued)

Year Ending December 31	OWDA 3705	OWDA 4098	OPWC CQ724	OPWC CQ801	OPWC CQ02A
2014	\$ 22,969	\$ 347,880	\$ 10,559	\$ 21,171	\$ 11,438
2015	22,969	347,880	5,280	21,171	11,438
2016	22,969	347,880	-	21,169	11,438
2017	22,969	347,880	-	-	11,438
2018	22,969	347,880	-	-	11,437
2019-2023	114,845	1,739,400	-	-	-
2024-2028	114,845	370,690	-	-	-
2028-2033	80,392	-	-	-	-
	<u>\$ 424,927</u>	<u>\$ 3,849,490</u>	<u>\$ 15,839</u>	<u>\$ 63,511</u>	<u>\$ 57,189</u>

Year Ending December 31	OPWC CQ02E	OPWC CQ02G	OPWC CQ28M	OPWC CQ12K	OPWC CQ57L
2014	\$ 17,500	\$ 5,000	\$ 5,783	\$ 5,178	\$ 3,551
2015	17,500	5,000	5,783	2,589	3,551
2016	17,500	5,000	5,783	-	3,551
2017	17,500	5,000	5,783	-	3,551
2018	17,500	5,000	5,783	-	3,551
2019-2023	78,750	25,000	28,915	-	-
2024-2028	-	10,000	28,923	-	-
2028-2033	-	-	-	-	-
	<u>\$ 166,250</u>	<u>\$ 60,000</u>	<u>\$ 86,753</u>	<u>\$ 7,767</u>	<u>\$ 58,584</u>

6. RETIREMENT SYSTEMS

The Villages law enforcement officers and firefighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2013 and 2012, members of PFDPF contributed 10% of their wages to PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 10.0% of their gross salaries for 2013 (10.75% after July 1, 2013) and 2012, respectively. The Village contributed an amount equal to 14.0% of participant's gross salaries for 2013 and 2012, respectively. The Village has paid all contributions required through December 31, 2013.

7. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.0% 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.

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.

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012**

8. RISK MANAGEMENT

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.

9. CONTINGENT LIABILITIES

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

Amount 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 amount grantors may disallow. However, based on prior experience, management believes any refunds would be material.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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
Johnstown, Ohio 43031

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Johnstown as of and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated June 20, 2014, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village of Johnstown's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified a certain deficiencies in internal control over financial reporting, that we consider a 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2013-01 and 2013-02 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Johnstown'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, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-02.

We noted certain matters not requiring inclusion in this report that we have reported to the management of Village of Johnstown in a separate letter dated June 20, 2014.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 20, 2014

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-01

Material Weakness – Bank Reconciliation and Financial Statement Presentation

Strong monitoring practices of Village financial activities are the responsibility of management and Village Council and are essential to ensure proper financial reporting, and to prevent or detect material misstatements on the Village's financial statement.

A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances. Approved estimates of receipts and disbursements from certificates of estimated resources or appropriation measures should be entered into the accounting system to enable meaningful budget vs. actual comparisons. Additionally, management and Village Council should review the bank to book reconciliation and monthly financial reports of financial activity of the Village including budget versus actual receipts and expenditures, fund balance reports, and bank to book reconciliations. Evidence of these reviews should be documented.

Upon review of the bank reconciliations as of December 31, 2013 and 2012, there were various discrepancies needed to reconcile cash. All items needing adjustments have been made to the accounting system and financial statements.

- The 2012 bank reconciliation had net adjustments of \$14,905 to be made to the accounting system and financial statements. These differences were due to interest not being posted, debt service payment not being posted, posting corrections and timing differences.
- The 2013 bank reconciliation had net adjustments of \$5,755 to be made to the accounting system and financial statements. The differences were due to interest not being posted, duplicate postings and timing differences.

We recommend the Finance Director reconcile all bank accounts to the books on a timely manner. In this process all reconciling items or errors should be identified and included on the face of the reconciliation. All errors should be corrected on the Village's ledgers following the completion of the reconciliation. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and approved by an individual with appropriate fiscal authority and by Council and that evidence of these reviews and approvals be documented.

It was further noted that debt postings in 2013 and 2012 were posted to the wrong fund. This resulted in adjustments being made to the Village accounting system in the following manner: A decrease in fund balance of \$22,399 in the debt service fund, a decrease in fund balance of \$3,502 in the sewer debt service fund and an increase in fund balance of \$25,901 of the water debt service fund for 2013. In 2012, a increase in fund balance of \$11,485 was made to the sewer debt service fund and a decrease in fund balance of \$11,485 to the water debt service. These adjustments have been made to the Village's financial records and are correctly shown on these financial statements.

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-01 (Continued)

Not posting payments accurately to the ledgers will result in inaccurate accounting records and will make it difficult for Council to effectively manage the Village’s activities.

We recommend the Village Finance Director take the necessary steps to ensure the accurate posting of all transactions to the ledgers. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year..

Client Response: The new Finance Director has taken a great deal of time to correctly state the bank reconciliations and had noted that the current accounting system does not have a reconciliation module. He has recently been informed by the software company that a bank reconciliation module is now available for purchase. The Village of Johnstown will immediately look into the purchase of this reconciliation module, and of which should provide benefits with the monthly bank reconciliations.

FINDING NUMBER 2013-02

Material Weakness – Noncompliance Expenditures exceeding Appropriations

Ohio Revised Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had the following funds which had expenditures greater than appropriation authority.

Fund	Year	Appropriation Authority	Expenditures	Variance
General Fund	2012	\$ 2,424,814	\$ 2,568,034	\$ (143,220)
Mayors Ct. Computer	2012	1,200	1,339	(139)
Water Operating	2012	582,284	653,159	(70,875)
Sewer Improvement	2012	284,526	559,506	(274,980)
Water Debt Service	2012	290,000	310,253	(20,253)
Sewer Debt Service	2012	473,262	620,551	(147,289)

We recommend Council review expenditures versus appropriation authority throughout the year. Also, Council should not approve expenditures greater than appropriations. This could result in the Village spending more money than it receives and could cause possible negative fund balances.

Client Response: We will monitor expenditures throughout the year, as you can see 2013 did not have this violation.

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	Material Weakness Bank Reconciliations	No	Not Corrected: Stated as Finding Number 2013-01 in current report
2011-001	Material Weakness Financial Statement Presentation	No	Not Corrected: Stated as Finding Number 2013-01 in current report

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Dave Yost • 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
JULY 29, 2014