

VILLAGE OF JOHNSTOWN
AUDIT REPORT
JANUARY 1, 2014 - DECEMBER 31, 2015

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, 2014 through December 31, 2015. 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

August 25, 2017

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**VILLAGE OF JOHNSTOWN
LICKING COUNTY
JANUARY 1, 2014 - DECEMBER 31, 2015**

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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 of the cash balances, receipts and disbursements by fund type and related notes of the Village of Johnstown, Licking County, as of and for the years ended December 31, 2015 and 2014.

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 these requirements.

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, are presumed to be material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, 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, 2015 and 2014, 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 April 24, 2017, 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
April 24, 2017

**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, 2015**

	<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	\$ 248,778	\$ -	\$ -	\$ -	\$ 248,778
Municipal Income Tax	1,291,561	-	-	-	1,291,561
Intergovernmental Receipts	116,356	159,312	-	1,535,358	1,811,026
Fines, Licenses, and Permits	123,102	-	-	-	123,102
Earnings on Investments	9,649	-	-	-	9,649
Miscellaneous	9,434	1,051	-	-	10,485
Total Cash Receipts	<u>1,798,880</u>	<u>160,363</u>	<u>-</u>	<u>1,535,358</u>	<u>3,494,601</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,080,556	-	-	-	1,080,556
Public Health Services	16,497	-	-	-	16,497
Leisure Time Activities	4,932	-	-	-	4,932
Community Environment	39,694	-	-	-	39,694
Basic Utility Service	103,221	11,164	-	-	114,385
Transportation	2,549	-	-	-	2,549
General Government	433,028	162,669	-	-	595,697
Debt Service					
Principal	-	-	111,665	-	111,665
Interest	-	-	4,601	-	4,601
Capital Outlay	-	1,290,042	-	1,475,102	2,765,144
Total Cash Disbursements	<u>1,680,477</u>	<u>1,463,875</u>	<u>116,266</u>	<u>1,475,102</u>	<u>4,735,720</u>
Total Receipts Over/(Under) Disbursements	118,403	(1,303,512)	(116,266)	60,256	(1,241,119)
Other Financing Receipts/(Disbursements)					
Transfers - In	-	-	159,290	207,172	366,462
Sale of Bonds	-	1,290,000	-	-	1,290,000
Transfers - Out	(366,462)	-	-	-	(366,462)
Total Other Financing Receipts/(Disbursements)	<u>(366,462)</u>	<u>1,290,000</u>	<u>159,290</u>	<u>207,172</u>	<u>1,290,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(248,059)	(13,512)	43,024	267,428	48,881
Fund Cash Balances, January 1, 2015	<u>389,117</u>	<u>772,473</u>	<u>79,547</u>	<u>1,053,446</u>	<u>2,294,583</u>
Fund Cash Balances, December 31, 2015					
Restricted	-	758,961	122,571	1,320,874	2,202,406
Unassigned (Deficit)	141,058	-	-	-	141,058
Fund Cash Balances, December 31, 2015	<u>\$ 141,058</u>	<u>\$ 758,961</u>	<u>\$ 122,571</u>	<u>\$ 1,320,874</u>	<u>\$ 2,343,464</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, 2015**

	Proprietary	Fiduciary	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$ 2,158,258	\$ -	\$ 2,158,258
Total Operating Cash Receipts	2,158,258	-	2,158,258
Operating Cash Disbursements:			
Personal Services	494,103	-	494,103
Employee Fringe Benefits	63,902	-	63,902
Contractual Services	59,372	-	59,372
Supplies and Materials	327,465	-	327,465
Other	121,166	-	121,166
Total Operating Cash Disbursements	1,066,008	-	1,066,008
Operating Income/(Loss)	1,092,250	-	1,092,250
Non-Operating Cash Receipts:			
Other Non-operating Receipts	27,462	106,618	134,080
Total Non-Operating Cash Receipts	27,462	106,618	134,080
Non-Operating Cash Disbursements:			
Other Non-operating Cash Disbursements	27,634	104,044	131,678
Debt Service-Principal	418,156	-	418,156
Debt Service-Interest	47,462	-	47,462
Capital Outlay	209,923	-	209,923
Total Non-Operating Cash Disbursements	703,175	104,044	807,219
Net Receipts Over/(Under) Disbursements	416,537	2,574	419,111
Fund Cash Balances, January 1	1,602,173	13,232	1,615,405
Fund Cash Balances, December 31	\$ 2,018,710	\$ 15,806	\$ 2,034,516

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, 2014**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property Tax and Other Local Taxes	\$ 239,560	\$ -	\$ -	\$ -	\$ 239,560
Municipal Income Tax	1,279,486	-	-	-	1,279,486
Intergovernmental Receipts	78,786	171,897	-	1,250,000	1,500,683
Charges for Services	3,330	-	-	-	3,330
Fines, Licenses, and Permits	100,099	-	-	-	100,099
Earnings on Investments	11,181	-	-	-	11,181
Miscellaneous	-	17,150	-	-	17,150
Total Cash Receipts	1,712,442	189,047	-	1,250,000	3,151,489
Cash Disbursements					
Current:					
Security of Persons and Property	925,173	-	-	-	925,173
Public Health Services	16,544	-	-	-	16,544
Leisure Time Activities	25,049	-	-	-	25,049
Community Environment	61,593	-	-	-	61,593
Basic Utility Service	108,081	10,909	-	-	118,990
Transportation	25,793	11,292	-	-	37,085
General Government	426,014	133,408	-	-	559,422
Debt Service					
Principal	-	-	111,730	-	111,730
Interest	-	-	7,134	-	7,134
Capital Outlay	-	48,291	-	496,989	545,280
Total Cash Disbursements	1,588,247	203,900	118,864	496,989	2,408,000
Total Receipts Over/(Under) Disbursements	124,195	(14,853)	(118,864)	753,011	743,489
Other Financing Receipts/(Disbursements)					
Transfers - In	-	-	115,000	235,280	350,280
Transfers - Out	(350,280)	-	-	-	(350,280)
Total Other Financing Receipts/(Disbursements)	(350,280)	-	115,000	235,280	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(226,085)	(14,853)	(3,864)	988,291	743,489
Fund Cash Balances, January 1, 2014, restated	615,202	787,326	83,411	65,155	1,551,094
Fund Cash Balances, December 31, 2014					
Restricted	-	772,473	79,547	1,053,446	1,905,466
Unassigned (Deficit)	389,117	-	-	-	389,117
Fund Cash Balances, December 31, 2014	\$ 389,117	\$ 772,473	\$ 79,547	\$ 1,053,446	\$ 2,294,583

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, 2014**

	Proprietary	Fiduciary	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$ 1,805,246	\$ -	\$ 1,805,246
Total Operating Cash Receipts	1,805,246	-	1,805,246
Operating Cash Disbursements:			
Personal Services	479,590	-	479,590
Employee Fringe Benefits	39,818	-	39,818
Contractual Services	96,914	-	96,914
Supplies and Materials	356,207	-	356,207
Other	97,041	-	97,041
Total Operating Cash Disbursements	1,069,570	-	1,069,570
Operating Income/(Loss)	735,676	-	735,676
Non-Operating Cash Receipts:			
Other Non-operating Receipts	-	28,661	28,661
Total Non-Operating Cash Receipts	-	28,661	28,661
Non-Operating Cash Disbursements:			
Other Non-operating Cash Disbursements	21,812	31,889	53,701
Debt Service-Principal	586,121	-	586,121
Debt Service-Interest	129,415	-	129,415
Capital Outlay	230,821	-	230,821
Total Non-Operating Cash Disbursements	968,169	31,889	1,000,058
Net Receipts Over/(Under) Disbursements	(232,493)	(3,228)	(235,721)
Fund Cash Balances, January 1	1,834,666	16,460	1,851,126
Fund Cash Balances, December 31	\$ 1,602,173	\$ 13,232	\$ 1,615,405

See notes to financial statements.

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

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 account 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 from 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, 2015 and 2014**

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.

Chamber 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 and intergovernmental monies that are 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, 2015 and 2014**

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 2015 and 2014 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, 2015 and 2014**

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 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:

	2015	2014
Demand Deposits	\$ 2,336,379	\$ 1,756,661
Certificates of Deposits	1,241,863	1,753,963
Total Deposits	3,578,242	3,510,624
U.S. Treasury Notes	799,738	399,364
Total Deposits and Investments	<u>\$ 4,377,980</u>	<u>\$ 3,909,988</u>

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

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, 2015 and 2014 is as follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,881,150	\$ 1,798,880	\$ (82,270)
Special Revenue	202,390	1,450,363	1,247,973
Debt Service	112,000	159,290	47,290
Capital Projects	1,530,000	1,742,530	212,530
Enterprise	1,785,000	2,185,720	400,720
Total	<u>\$ 5,510,540</u>	<u>\$ 7,336,783</u>	<u>\$ 1,826,243</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,129,320	\$ 2,046,939	\$ 82,381
Special Revenue	294,751	1,463,875	(1,169,124)
Debt Service	117,608	116,266	1,342
Capital Project	1,696,600	1,475,102	221,498
Enterprise	2,262,282	1,769,183	493,099
Total	<u>\$ 6,500,561</u>	<u>\$ 6,871,365</u>	<u>\$ (370,804)</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,068,728	\$ 1,712,442	\$ (356,286)
Special Revenue	231,550	189,047	(42,503)
Debt Service	124,000	115,000	(9,000)
Capital Projects	325,500	1,485,280	1,159,780
Enterprise	1,886,000	1,805,246	(80,754)
Total	<u>\$ 4,635,778</u>	<u>\$ 5,307,015</u>	<u>\$ 671,237</u>

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,120,170	\$ 1,938,527	\$ 181,643
Special Revenue	314,460	203,900	110,560
Debt Service	121,500	118,864	2,636
Capital Projects	1,615,717	496,989	1,118,728
Enterprise	2,173,917	2,037,739	136,178
Total	\$ 6,345,764	\$ 4,796,019	\$ 1,549,745

Contrary to Ohio Revised Code 5705.41(B), the Village had the following funds in 2014 that had expenditures greater than appropriation: Enforcement and Education Fund, Mayor’s Court Computer Fund and Water Improvement Fund and, in 2015 the Street Fund. **Contrary to Ohio Revised Code Section 5705.39**, the following funds had appropriations greater than estimated Resources: In 2015, Sewer Operating Fund and Sewer Debt Service Fund. In 2014, Permissive MVL Tax Fund, Enforcement and Education Fund, Equitable Sharing Fund and Capital Projects 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, 2015 was as follows:

	Principal	%
ODOT State Infrastructure Loan	88,673	0.0-3.0
2011 OPWC CQ28M	63,618	6.0
2010 OPWC CT57L	51,483	0.0
2007 OPWC CQ02A	34,313	0.0
2005 OPWC CQ02G	50,000	0.0
1995 OPWC CQ801	21,170	0.0
2011 Water Mortgage Revenue Bonds	360,000	5.4
2008 Sanitary Sewer System G.O. Bonds	175,000	4.4-6.2
OPWC Loan CQ02E	131,250	0.0
2015 Street Improvement Bonds	1,290,000	1.0
2002 OWDA 3705	262,789	4.64
2004 OWDA 4098	2,893,415	2.22
Total	\$ 5,421,711	

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

5. DEBT (Continued)

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.

The 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 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. This debt was not payable to the OPWC and was written off in 2015.

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.

The Village issued \$1,290,000 Street Improvement General Obligation Bonds during 2015 with stated interest rate of 1.00% with stated final maturity in 2033.

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

Year Ending December 31	ODOT Loan	Water Revenue Bonds	Sewer Bonds	Street Bonds
2016	\$ 90,673	\$ 189,450	\$ 95,718	\$ 101,209
2017	-	184,725	95,513	95,850
2018	-	-	-	100,190
2019	-	-	-	505,915
2020	-	-	-	511,375
2021-2025	-	-	-	402,200
2026-2030	-	-	-	-
2031-2035	-	-	-	-
	<u>\$ 90,673</u>	<u>\$ 374,175</u>	<u>\$ 191,231</u>	<u>\$ 1,716,739</u>

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

5. DEBT (Continued)

Year Ending December 31	OWDA 3705	OWDA 4098	OPWC CQ801	OPWC CQ02A
2016	\$ 22,969	\$ 347,880	\$ 21,170	\$ 11,438
2017	22,969	347,880	-	11,437
2018	22,969	347,880	-	-
2019	22,969	347,880	-	-
2020	22,969	347,880	-	-
2021-2025	114,845	1,414,330	-	-
2026-2030	114,845	-	-	-
2031-2035	34,454	-	-	-
	<u>\$ 378,989</u>	<u>\$ 3,153,730</u>	<u>\$ 21,170</u>	<u>\$ 22,875</u>

Year Ending December 31	OPWC CQ02E	OPWC CQ02G	OPWC CQ28M	OPWC CQ57L
2016	\$ 17,500	\$ 5,000	\$ 11,567	\$ 3,551
2017	17,500	5,000	11,567	3,551
2018	17,500	5,000	11,567	3,551
2019	17,500	5,000	11,567	3,551
2020	17,500	5,000	11,567	3,551
2021-2025	43,750	25,000	5,783	17,755
2026-2030	-	-	-	15,973
2031-2035	-	-	-	-
	<u>\$ 131,250</u>	<u>\$ 50,000</u>	<u>\$ 63,618</u>	<u>\$ 51,483</u>

6. RETIREMENT SYSTEMS

The Villages law enforcement officers and full-time certified firefighters belong to the Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. 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 2015 and 2014, OP&F participants contributed 10.75% from January 1, 2014 to June 30, 2014, they contributed 11.50% from July 1, 2014 through June 30, 2015 and contributed 12.25% from July 1, 2015 through December 31, 2015. For 2015 and 2014, the Village contributed to OP&F and amount equal to 19.50% of full-time law enforcement wages and 24.00% for full-time certified firefighters wages. For 2015 and 2014, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.00% of participant's gross salaries. The Village has paid all contributions required through December 31, 2015.

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

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.

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.

10. RESTATEMENT OF FUND BALANCE

Upon completion of the monthly bank reconciliations, it was determined that the Special Revenue Fund balance at January 1, 2014 was overstated by \$18,736. This reduced the cash fund balance from \$806,062 to \$787,326.

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**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, 2015 and 2014, and have issued our report thereon dated April 24, 2017, 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 as 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 2015-001 and 2015-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 two instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2015-002 and 2015-003.

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
April 24, 2017

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

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 statements.

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, 2015 and 2014, there were various discrepancies needed to reconcile cash. The computer systems reconciled cash was not accurate to the financial statements as no checks had ever been marked as cleared nor had all transactions been posted. This necessitated the Village being declared **unauditable** until the monthly bank reconciliations were completed. This was completed in March 2017.

Upon these monthly reconciliation being completed, the Finance Director then posted all items necessary to show that cash agreed to the financial statements. As a result, cash decreased as of December 31, 2015 by \$210,288. Also, a restatement of Special Revenue Cash as of January 1, 2014 was made to reduce cash from \$806,062 to \$787,326 which is a reduction of \$18,736. Most corrections were due to interest not being posted, debt service payments not recorded because they were EFT payments, duplicate postings and various timing differences.

We recommend the Finance Director reconcile all bank accounts to the books in 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. This is currently being done by the Village.

It was further noted that bond issuance of \$1,290,000 in 2015, was not posted to the system nor the corresponding capital outlay purchase. This has been posted to the accounting records and financial statements.

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001 (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 ensuring 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.

FINDING NUMBER 2015-002

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.

		Appropriation			
Fund	Year	Authority		Expenditures	Variance
Street Construction	2015	\$ 179,159		\$ 1,450,496	\$ (1,271,337)
Enforcement/Education	2014	400		411	(11)
Mayor’s Ct. Computer	2014	1,000		1,217	(217)
Water Improvement	2014	79,999		94,999	(15,000)

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.

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-003

Noncompliance Appropriations exceeded Estimated Revenue

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. The Village had the following funds which had appropriations greater than estimated resources:

Fund	Year	Estimated Resources	Appropriations	Variance
Sewer Operating	2015	\$ 720,025	\$ 730,549	\$ (10,524)
Sewer Debt Service	2015	367,743	481,000	(113,257)
Permissive MVL	2014	46,575	61,000	(14,425)
Capital Projects	2014	390,655	1,615,717	(1,225,062)

We recommend the Village review appropriations and estimated resources throughout the year and make any necessary adjustments to be in compliance.

Client Response: We will monitor appropriations and estimated resources throughout the year.

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**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-01	Material Weakness Bank Reconciliations Financial Statement Presentation	No	Not Corrected: Stated as Finding Number 2015-001 in current report
2013-02	ORC 5705.41 (B) Expenditures greater than appropriations	No	Not Corrected: Stated as Finding Number 2015-002 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
SEPTEMBER 7, 2017