



**Auditor of State
Betty Montgomery**

JOHNSTON TOWNSHIP
TRUMBULL COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Johnston Township, Trumbull County, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

Ambulance billing and collections reported in the Emergency Vehicle Fund (a Special Revenue Fund) are processed by a service organization that is independent of the Township. The service organization could not provide us with evidence regarding the design and proper operation of its internal controls. We were therefore unable to satisfy ourselves as to the proper processing of ambulance run bills and collections. The ambulance collections represent 100% of the charges for services receipts reported in the financial statements under the Special Revenue Fund Type.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been necessary had we been able to examine sufficient information regarding ambulance collections reported as charges for services (Special Revenue Fund Type) as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Johnston Township, Trumbull County, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Betty Montgomery
Auditor of State

May 27, 2005

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$63,324	\$65,209	\$45,532			\$174,065
Charges for Services	774	125,971				126,745
Licenses, Permits, and Fees	1,813	4,225				6,038
Fines, Forfeitures, and Penalties	2,351					2,351
Intergovernmental	77,465	75,027		\$120,091		272,583
Special Assessments		1,713				1,713
Earnings on Investments	3,331	390			\$25	3,746
Other Revenue	28,621	4,887	14,770			48,278
Total Cash Receipts	177,679	277,422	60,302	120,091	25	635,519
Cash Disbursements:						
Current:						
General Government	101,821	226,846				328,667
Public Safety	23,640	3,340				26,980
Public Works		48,806				48,806
Health	7,261	4,222				11,483
Conservation - Recreation	7,260					7,260
Debt Service:						
Redemption of Principal		11,086	35,350			46,436
Interest and Fiscal Charges		1,770	12,566			14,336
Capital Outlay	16,145	1,150		167,160		184,455
Total Cash Disbursements	156,127	297,220	47,916	167,160		668,423
Total Receipts Over/(Under) Disbursements	21,552	(19,798)	12,386	(47,069)	25	(32,904)
Other Financing Receipts and (Disbursements):						
Transfers-In	431					431
Transfers-Out				(431)		(431)
Advances-In				47,500		47,500
Advances-Out	(25,000)	(22,500)				(47,500)
Other Sources	419					419
Total Other Financing Receipts/(Disbursements)	(24,150)	(22,500)		47,069		419
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,598)	(42,298)	12,386		25	(32,485)
Fund Cash Balances, January 1	110,837	204,935	18,296		3,557	337,625
Fund Cash Balances, December 31	\$108,239	\$162,637	\$30,682	\$0	\$3,582	\$305,140

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

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$51,780	\$71,838	\$29,639			\$153,257
Charges for Services		111,169				111,169
Licenses, Permits, and Fees	3,075	4,005				7,080
Fines and Forfeitures	8,215	0				8,215
Intergovernmental	49,553	115,924		\$66,650		232,127
Earnings on Investments	4,585	579			\$97	5,261
Other Revenue	33,567	3,771	21,557			58,895
Total Cash Receipts	150,775	307,286	51,196	66,650	97	576,004
Cash Disbursements:						
Current:						
General Government	103,587	201,471				305,058
Public Safety	31,637	9,466				41,103
Public Works		33,632				33,632
Health	6,504	5,026			40	11,570
Conservation - Recreation	5,573					5,573
Debt Service:						
Redemption of Principal		10,595	34,449			45,044
Interest and Fiscal Charges		2,261	13,787			16,048
Capital Outlay	12,085	15,307		71,300		98,692
Total Cash Disbursements	159,386	277,758	48,236	71,300	40	556,720
Total Receipts Over/(Under) Disbursements	(8,611)	29,528	2,960	(4,650)	57	19,284
Other Financing Receipts and (Disbursements):						
Transfers-In		7,802				7,802
Transfers-Out	(7,802)					(7,802)
Advances-In	15,300			48		15,348
Advances Out	(48)	(15,300)				(15,348)
Total Other Financing Receipts/(Disbursements)	7,450	(7,498)		48		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,161)	22,030	2,960	(4,602)	57	19,284
Fund Cash Balances, January 1	111,998	182,905	15,336	4,602	3,500	318,341
Fund Cash Balances, December 31	\$110,837	\$204,935	\$18,296	\$0	\$3,557	\$337,625
Reserve for Encumbrances, December 31	\$323	\$0	\$0	\$0	\$0	\$323

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

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

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 Johnston Township, Trumbull County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, police protection, and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Township 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. Cash and Investments

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

The Township values certificates of deposit and repurchase agreements at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Special Levy Fire – This fund receives property tax money for the general operation of the fire department.

Emergency Vehicle Fund – This fund receives property tax money and charges for services for the general operation of the ambulance service.

3. Debt Service Funds

This fund accounts for resources the Township accumulates to pay bond and note debt.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Love-Warner Issue II Fund - The Township received a loan from the State of Ohio for a safety upgrade to Love-Warner Road.

Stoddard-Hayes Issue II Fund – The Township received a grant from the State of Ohio for a safety upgrade to Stoddard-Hayes Road.

5. Fiduciary Funds (Trust Funds)

These funds account for resources restricted by legally binding trust agreements. The Township had four significant trust funds to account for the maintenance of certain cemetery plots.

E. Budgetary Process

The Ohio Revised Code requires that each fund 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 Board of Trustees 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.

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

E. Budgetary Process (Continued)

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	(\$19,770)	\$12,780
Certificates of deposit	3,025	3,025
Total deposits	<u>(16,745)</u>	<u>15,805</u>
STAR Ohio	187,829	163,773
Repurchase agreement	134,056	158,047
Total investments	<u>321,885</u>	<u>321,820</u>
Total deposits and investments	<u><u>\$305,140</u></u>	<u><u>\$337,625</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

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

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$186,124	\$178,529	(\$7,595)
Special Revenue	250,268	277,422	27,154
Debt Service	60,302	60,302	0
Capital Projects	275,267	120,091	(155,176)
Fiduciary	149	25	(124)
Total	\$772,110	\$636,369	(\$135,741)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$251,480	\$156,127	\$95,353
Special Revenue	443,161	297,220	145,941
Debt Service	59,250	47,916	11,334
Capital Projects	275,267	167,591	107,676
Fiduciary	40	0	40
Total	\$1,029,198	\$668,854	\$360,344

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$172,534	\$150,775	(\$21,759)
Special Revenue	338,642	315,088	(23,554)
Debt Service	51,197	51,196	(1)
Capital Projects	341,917	66,650	(275,267)
Fiduciary	150	97	(53)
Total	\$904,440	\$583,806	(\$320,634)

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$226,350	\$167,511	\$58,839
Special Revenue	436,167	277,758	158,409
Debt Service	65,300	48,236	17,064
Capital Projects	346,567	71,300	275,267
Fiduciary	40	40	0
Total	\$1,074,424	\$564,845	\$509,579

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$56,795	4.43% to 5.0%
Lease Purchase	183,899	5.20%
OPWC Loan	53,320	0.00%
Total	\$294,014	

The Township issued general obligation notes to finance the purchase of a new dump truck, backhoe, and ambulance. A lease purchase agreement was entered to acquire a pumper truck used by the Township's Fire Department. The Ohio Public Works Commission issued a loan to the Township to finance a safety upgrade to Love-Warner Road. The Township's taxing authority collateralized the notes, lease, and loan.

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	General Obligation Notes	Lease Purchase Agreement	OPWC Loan
2004	\$30,894	\$22,639	\$6,665
2005	30,119	22,639	6,665
2006		22,639	6,665
2007		22,639	6,665
2008		22,639	6,665
2009 – 2012		122,057	19,995
Total	<u>\$61,013</u>	<u>\$235,252</u>	<u>\$53,320</u>

6. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

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

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. RISK MANAGEMENT (Continued)

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	<u>(11,791,300)</u>	<u>(9,197,512)</u>
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	<u>(750,956)</u>	<u>(1,204,326)</u>
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

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Auditor of State Betty Montgomery

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

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

To the Board of Trustees:

We have audited the financial statements of Johnston Township (the Township) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated May 27, 2005, which was qualified since sufficient information related to Special Revenue Fund receipts reported as charges for services was not available for audit and wherein we noted the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2003-002 listed above to be a material weakness. In a separate letter to the Township's management dated May 27, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standard* which is described in the accompanying schedule of findings as item 2003-001. In a separate letter to the Township's management dated May 27, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

May 27, 2005

JOHNSTON TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

NONCOMPLIANCE CITATION

Certification of Availability of Funds

Ohio Rev. Code Section 5705.41(D) states, in pertinent part, no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

Then and Now Certificate: If the fiscal officer can certify that both at the time the contract or order was made "then" at the time that he is completing his certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, free of any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate, to approve payment by resolution. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing authority.

Amounts of less than three thousand dollars (\$3,000) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. (Prior to April 7, 2003, the amount that may be paid was less than \$1,000.)

Blanket Certificate: Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate: The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predicable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation account.

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

The Clerk did not obtain certification of available funds prior to incurring obligations for 55% of transactions tested and there was no evidence of a "Then and Now" certificate being used by the Clerk. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification in the form of purchase orders or "blanket" purchase orders is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over the disbursement process and reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Clerk certify the funds are or will be available prior to a commitment of an obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

MATERIAL WEAKNESS

Ambulance Billings and Collections

Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type Two *Report on Policies and Procedures in Operation and Tests of Operating Effectiveness* in accordance with SAS 70 should provide the Township with reasonable assurance that ambulance run billings and collections conform to the contract.

In addition, Ohio Administrative Code Section 117-2-02(B) requires the Township's internal controls to reasonably assure that all account balances and transactions that should be included in the financial records and included recorded transactions have occurred and are not fictitious. This includes establishing policies and procedures to ensure the review and maintenance of sufficient documentation for all transactions.

The Township delegated the processing of ambulance billings and collections, which is a significant accounting function, to a third party administrator, Medical Reimbursement Solutions. The following internal control weaknesses were noted with regard to the processing of ambulance billings and collections:

- A. Medical Reimbursement Solutions provided monthly billing and collection reports to the Township. However, Township personnel did not review or reconcile these reports to monitor whether Medical Reimbursement Solutions properly billed and collected ambulance runs.
- B. The Township did not establish procedures to determine whether the service organization had sufficient controls in place and operating effectively to reduce the risk that ambulance billings and collections have been completely and accurately processed in accordance with the contract between the Township and Medical Reimbursement Solutions.

Without sufficient controls in place, the Township cannot assure the completeness and accuracy of ambulance billings and collections processed by the third party administrator.

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

We recommend the Township require a Type Two SAS 70 report in its contract with a third party administrator. The Township should review the SAS 70 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered in good standing with the Accountancy Board of the respective state. If a third party administrator refuses to furnish the Township with a Type Two SAS 70 report, we recommend the Township contract with a service organization that will provide such a report.

We also recommend Township officials review the billing and collection reports provided by the third party administrator. The billings and collections should be reconciled with the ambulance run sheets and the receipts ledger of the Emergency Vehicle Fund.

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2001-001	Ohio Rev. Code Section 5705.41(D): Failure to properly certify funds when incurring a commitment.	No	Not Corrected. The finding will be repeated.
2001-002	Ohio Rev. Code Section 5705.38: Failure to adopt appropriations timely.	Yes	Finding No Longer Valid.
2001-003	Ohio Rev. Code Section 5705.41(B): Expenditures exceeded appropriations in the Fire Levy Fund and Step Grant Fund	Yes	Finding No Longer Valid.
2001-004	Ohio Rev. Code Section 5705.10: Revenues derived for a specific purpose were not credited to the proper funds.	Yes	Finding No Longer Valid.
2001-005	Ohio Rev. Code Section 145: Employee and employer retirement contributions were not calculated properly.	Yes	Finding No Longer Valid.



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JOHNSTON TOWNSHIP

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 18, 2005**