

VILLAGE OF JOHNSTOWN

AUDIT REPORT

JANUARY 1, 2003 - DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Mayor and Village Council
Village of Johnstown
Johnstown, Ohio

We have reviewed the Independent Auditor's Report of the Village of Johnstown, Licking County, prepared by Wolfe, Wilson, & Phillips, Inc., for the audit period January 1, 2003 through December 31, 2004. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 4, 2005

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**VILLAGE OF JOHNSTOWN
LICKING COUNTY
JANUARY 1, 2003 - DECEMBER 31, 2004**

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**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Village of Johnstown, Licking County, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village of Johnstown's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Village of Johnstown prepares its financial statements on the cash basis, which is a comprehensive basis of accounting prescribed or permitted by the Auditor of State, other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Johnstown, Licking county, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2005, on our consideration of the Village of Johnstown's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
March 4, 2005

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 1,059,190	\$ -	\$ -	\$ 1,059,190
Special Assessments	-	-	-	-
Intergovernmental Receipts	172,356	192,962	-	365,318
Charges for Services	12,553	-	-	12,553
Fines, Licenses, and Permits	204,133	6,072	-	210,205
Earnings on Investments	43,745	4,141	-	47,886
Miscellaneous	60,348	-	-	60,348
Total Cash Receipts	<u>1,552,325</u>	<u>203,175</u>	<u>-</u>	<u>1,755,500</u>
Cash Disbursements				
Current:				
Security of Persons and Property	723,170	27,330	-	750,500
Public Health Services	9,750	-	-	9,750
Leisure Time Activities	56,143	-	-	56,143
Community Environment	144,732	3,850	-	148,582
Transportation	25,845	165,919	-	191,764
General Government	296,943	6,067	-	303,010
Debt Service				
Principal	33,166	-	1,205,000	1,238,166
Interest	5,624	-	43,669	49,293
Capital Outlay	-	-	469,050	469,050
Total Cash Disbursements	<u>1,295,373</u>	<u>203,166</u>	<u>1,717,719</u>	<u>3,216,258</u>
Total Receipts Over/(Under) Disbursements	256,952	9	(1,717,719)	(1,460,758)
Other Financing Receipts/(Disbursements)				
Transfer In	308	-	239,769	240,077
Transfer Out	(240,000)	-	-	(240,000)
Other financing sources	800	-	-	800
Other financing uses	(33,822)	-	-	(33,822)
Total Other Financing Receipts/(Disbursements)	<u>(272,714)</u>	<u>-</u>	<u>239,769</u>	<u>(32,945)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>\$ (15,762)</u>	<u>\$ 9</u>	<u>\$ (1,477,950)</u>	<u>\$ (1,493,703)</u>
Fund Cash Balances, January 1, 2004	<u>553,419</u>	<u>664,787</u>	<u>1,606,834</u>	<u>2,825,040</u>
Fund Cash Balances, December 31, 2004	<u>\$ 537,657</u>	<u>\$ 664,796</u>	<u>\$ 128,884</u>	<u>\$ 1,331,337</u>
Reserve for Encumbrances, December 31, 2004	<u>\$ 11,794</u>	<u>\$ 1,254</u>	<u>\$ 6,905</u>	<u>\$ 19,953</u>

See notes to financial statements.

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 2,005,184	\$ -	\$ 2,005,184
Fines, Licenses, and Permits	-	61,849	61,849
Total Operating Cash Receipts	<u>2,005,184</u>	<u>61,849</u>	<u>2,067,033</u>
Operating Cash Disbursements:			
Personal Services	333,576	-	333,576
Employee Fringe Benefit	110,554	-	110,554
Contractual Services	98,375	-	98,375
Supplies and Materials	145,930	-	145,930
Capital Outlay	2,834,782	-	2,834,782
Miscellaneous	49,002	60,874	109,876
Total Operating Cash Disbursements	<u>3,572,219</u>	<u>60,874</u>	<u>3,633,093</u>
Operating Income/(Loss)	<u>(1,567,035)</u>	<u>975</u>	<u>(1,566,060)</u>
Non-Operating Cash Receipts:			
Sale of Fixed Assets	26,680	-	26,680
Loan Proceeds	2,358,531	-	2,358,531
Transfers - In	-	711	711
Other Non-operating Receipts	30,027	-	30,027
Total Non-Operating cash Receipts	<u>2,415,238</u>	<u>711</u>	<u>2,415,949</u>
Non-Operating Cash Disbursements:			
Transfer - Out	480	308	788
Debt Service			
Principal	205,556	-	205,556
Interest	127,965	-	127,965
Total Non-Operating cash Disbursements	<u>334,001</u>	<u>308</u>	<u>334,309</u>
Net Receipts Over/(Under) Disbursements	<u>514,202</u>	<u>1,378</u>	<u>515,580</u>
Fund Cash Balances, January 1, 2004	<u>2,550,897</u>	<u>12,683</u>	<u>2,563,580</u>
Fund Cash Balances, December 31, 2004	<u>\$ 3,065,099</u>	<u>\$ 14,061</u>	<u>\$ 3,079,160</u>
Reserve for Encumbrances, December 31, 2004	<u>\$ 193,156</u>	<u>\$ -</u>	<u>\$ 193,156</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 FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 979,342	\$ -	\$ -	\$ 979,342
Intergovernmental Receipts	94,824	180,222	-	275,046
Charges for Services	12,732	-	-	12,732
Fines, Licenses, and Permits	198,665	6,157	-	204,822
Earnings on Investments	31,231	5,391	-	36,622
Miscellaneous	23,848	5,157	-	29,005
Total Cash Receipts	<u>1,340,642</u>	<u>196,927</u>	<u>-</u>	<u>1,537,569</u>
Cash Disbursements				
Current:				
Security of Persons and Property	696,614	20,670	-	717,284
Public Health Services	8,000	-	-	8,000
Leisure Time Activities	51,456	-	-	51,456
Community Environment	127,882	1,500	-	129,382
Transportation	37,854	139,592	-	177,446
General Government	283,973	3,400	-	287,373
Debt Service				
Principal	66,283	-	875,000	941,283
Interest	4,228	-	19,051	23,279
Capital Outlay	-	-	235,178	235,178
Total Cash Disbursements	<u>1,276,290</u>	<u>165,162</u>	<u>1,129,229</u>	<u>2,570,681</u>
Total Receipts Over/(Under) Disbursements	64,352	31,765	(1,129,229)	(1,033,112)
Other Financing Receipts/(Disbursements)				
Proceeds of Notes	-	-	2,250,000	2,250,000
Sale of Fixed Assets	570	-	-	570
Transfer In	-	-	146,883	146,883
Transfer Out	(146,883)	-	-	(146,883)
Advance - In	36,130	-	-	36,130
Advance - Out	-	(36,130)	-	(36,130)
Other financing uses	(64,252)	-	(18,668)	(82,920)
Total Other Financing Receipts/(Disbursements)	<u>(174,435)</u>	<u>(36,130)</u>	<u>2,378,215</u>	<u>2,167,650</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>\$ (110,083)</u>	<u>\$ (4,365)</u>	<u>\$ 1,248,986</u>	<u>\$ 1,134,538</u>
Fund Cash Balances, January 1, 2003	<u>663,502</u>	<u>669,152</u>	<u>357,848</u>	<u>1,690,502</u>
Fund Cash Balances, December 31, 2003	<u>\$ 553,419</u>	<u>\$ 664,787</u>	<u>\$ 1,606,834</u>	<u>\$ 2,825,040</u>
Reserve for Encumbrances, December 31, 2003	<u>\$ 2,723</u>	<u>\$ 11,064</u>	<u>\$ 1,144,082</u>	<u>\$ 1,157,869</u>

See notes to financial statements.

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 2,196,177	\$ -	\$ 2,196,177
Fines, Licenses, and Permits	-	59,182	59,182
Total Operating Cash Receipts	<u>2,196,177</u>	<u>59,182</u>	<u>2,255,359</u>
Operating Cash Disbursements:			
Personal Services	294,342	-	294,342
Employee Fringe Benefit	116,551	-	116,551
Contractual Services	120,266	-	120,266
Supplies and Materials	104,952	-	104,952
Capital Outlay	652,137	-	652,137
Miscellaneous	34,921	58,435	93,356
Total Operating Cash Disbursements	<u>1,323,169</u>	<u>58,435</u>	<u>1,381,604</u>
Operating Income/(Loss)	<u>873,008</u>	<u>747</u>	<u>873,755</u>
Non-Operating Cash Receipts:			
Loan Proceeds	1,208	-	1,208
Other Non-operating Receipts	84,513	-	84,513
Total Non-Operating cash Receipts	85,721	-	85,721
Non-Operating Cash Disbursements:			
Other Non-operating Cash Disbursements	-	19,727	19,727
Debt Service			
Principal	169,191	-	169,191
Interest	147,972	-	147,972
Total Non-Operating cash Disbursements	<u>317,163</u>	<u>19,727</u>	<u>336,890</u>
Net Receipts Over/(Under) Disbursements	641,566	(18,980)	622,586
Fund Cash Balances, January 1, 2003	<u>1,909,331</u>	<u>31,663</u>	<u>1,940,994</u>
Fund Cash Balances, December 31, 2003	<u>\$ 2,550,897</u>	<u>\$ 12,683</u>	<u>\$ 2,563,580</u>
Reserve for Encumbrances, December 31, 2003	<u>\$ 136,493</u>	<u>\$ -</u>	<u>\$ 136,493</u>

See notes to financial statements.

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Johnstown, Licking County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected seven-member Council and provides general governmental services, street construction and maintenance, water and sewer utility services, 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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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).

C. Cash and Investments

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Investments are reported as assets. Accordingly, purchase of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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, 2004**

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.

Permissive Motor Vehicle Fund - This fund receives permissive tax monies for constructing, maintaining and repairing Village streets.

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 Improvement Fund - This fund receives monies from income tax collections to make capital improvements.

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 to cover the cost of providing this utility.

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

Fiduciary Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Mayors Court Fund - This fund receives money from citations issued the Village's Police Department. Money collected is distributed in accordance with the Ohio Revised Code to the Village and State.

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 budgetary activity appears in Note 3.

F. 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.

G. Unpaid vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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:

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>2004</u>	<u>2003</u>
Demand Deposits	\$ 1,967,784	\$ 2,798,086
Total Deposits	<u>1,967,784</u>	<u>2,798,086</u>
STAR Ohio	430,000	430,000
U.S. Treasury Notes	<u>2,012,713</u>	<u>2,160,534</u>
Total deposits and investments	<u>\$ 4,410,497</u>	<u>\$ 5,388,620</u>

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Treasury Notes are held in book-entry form at the Federal Reserve, in the name of the Village's financial institution.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2004 and 2003 is as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,388,547	\$ 1,553,433	\$ 164,886
Special Revenue	203,400	203,175	(225)
Capital Projects	300,000	239,769	(60,231)
Enterprise	3,887,531	4,420,422	532,891
Fiduciary	<u>80,300</u>	<u>62,560</u>	<u>(17,740)</u>
Total	<u>\$ 5,859,778</u>	<u>\$ 6,479,359</u>	<u>\$ 619,581</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,874,700	\$ 1,580,989	\$ 293,711
Special Revenue	866,533	204,420	662,113
Capital Projects	1,990,948	1,724,624	266,324
Enterprise	5,674,268	4,099,376	1,574,892
Fiduciary	<u>86,580</u>	<u>61,182</u>	<u>25,398</u>
Total	<u>\$10,493,029</u>	<u>\$ 7,670,591</u>	<u>\$ 2,822,438</u>

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,412,235	\$ 1,465,304	\$ 53,069
Special Revenue	191,200	196,927	5,727
Capital Projects	2,360,000	2,396,883	36,883
Enterprise	1,293,500	2,281,898	988,398
Fiduciary	<u>80,000</u>	<u>59,182</u>	<u>(20,818)</u>
Total	<u>\$ 5,336,935</u>	<u>\$ 6,400,194</u>	<u>\$ 1,063,259</u>

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,921,092	\$ 1,614,240	\$ 306,852
Special Revenue	352,273	176,226	176,047
Capital Projects	2,630,270	2,291,979	338,291
Enterprise	2,400,055	1,776,825	623,230
Fiduciary	96,007	78,162	17,845
Total	\$ 7,399,697	\$ 5,937,432	\$ 1,462,265

Contrary to Ohio Revised Code Section 5705.39, which states that appropriations cannot exceed estimated resources, the Village had the following funds in noncompliance: State Highway Fund, Babcocks Project Fund, and Capital Projects Fund in 2004 and State Highway Fund in 2003.

4. PROPERTY TAX

Property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements 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.

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 Village.

5. DEBT

Debt outstanding at December 31, 2004 and 2003 was as follows:

	2004		2003	
	Principal	%	Principal	%
Ohio Water Development Authority Loans	\$ 2,716,519	4.7	\$ 387,322	4.7
Mortgage Revenue Refunding Bonds	2,190,000	7.0	2,305,000	7.0
Ohio Public Works Commission Loan	818,459	0.0	879,682	0.0
G.O. Bond Anticipation Notes	-	-	1,100,000	2.0
G.O. Municipal Building Bonds	1,045,000	6.0	1,150,000	6.0
Lease Purchase Agreement	114,578		94,341	
Total	\$ 6,884,556		\$ 5,916,345	

The Ohio Public Works Commission (OPWC) loans relate to water and sewer plant expansion projects that were mandated by the Ohio Environmental Protection Agency. OWDA and OPWC approved up to \$1,238,864 in loans to the Village for these projects. The loans will be repaid in semiannual installments, interest free, over 20 years.

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

5. DEBT (Continued)

The Mortgage Revenue Refunding Bonds relates to improvements to the Village's water supply and waterworks system. Council authorized \$2,875,000 in bonds for this project. The bonds are collateralized by water receipts.

The Ohio water Development Authority (OWDA) loans relates to the design, planning, and construction of a new water storage tank. In 2004 an additional loan was entered into relating to improvements to the wastewater treatment plant. Funds have been approved in the amount of \$5,605,122 and the amount disbursed in 2004 was \$2,358,531. This additional loan was not included in the amortization schedule below.

On August 29, 2002, The Village issued Waterworks System Improvement Bond Anticipation Notes for the purpose of improving the waterworks system. The debt issues will be retired with utility revenues. This note is payable on August 28, 2003.

On December 5, 2003, The Village issued Municipal Building Bonds to renovate an additional portion of the municipal building. The amount of the bonds authorized were \$1,150,000.

Lease Purchase Agreements

On September 13, 2001, the Village entered into a lease purchase agreement in the amount of \$24,328, for a 2002 Ford Crown Victoria Police Sedan. This was completed in 2003.

On May 3, 2001, the Village entered into a lease-purchase agreement in the amount of \$29,699 for 2001 Ford Galion Dump Body. This was completed in 2003.

On September 27, 2002, the Village entered into a lease-purchase agreement in the amount of \$22,214 for a 2003 Ford Crown Victoria Police Sedan. As of December 31, 2004, \$3,879 was left to be paid on March 27, 2005.

On January 1, 2003, the Village entered into a lease-purchase agreement in the amount of \$103,000 for a 2003 Sterling Acterra Jet Truck. As of December 31, 2004, \$50,687 was left to be paid in equal payments of \$9,310 on January 1 and July 1 for 2005 through 2007.

On July 25, 2003, the Village entered into a lease-purchase agreement in the amount of \$21,092 for a 2003 Ford F250 Super Cab. As of December 31, 2004, \$10,699 was left to be paid in equal amounts of \$3,793 on January 25 and July 25 of 2005, with the last payment on January 25, 2006.

On February 17, 2004, the Village entered into a lease-purchase agreement in the amount of \$25,715 for a 2004 Ford Crown Victoria. As of December 31, 2004, \$21,625 was left to be paid in equal payments of \$4,574 on February 17 and August 17 for 2005 and 2006. The final payment will be on February 17, 2007.

On February 21, 2004, the Village entered into a lease-purchase agreement in the amount of \$27,688 for a 2004 Ford F250 Pick-up Truck. As of December 31, 2004, \$27,688 was to be paid in equal payments of \$4,938 on February 21 and August 21 for 2005 through 2007.

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

5. DEBT (Continued)

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

Year ending December 31	OWDA Loans	OPWC Loan	Mortgage Bonds	Municipal Bonds
2005	\$ 27,969	\$ 61,224	\$ 247,945	\$ 134,662
2006	27,969	61,224	246,525	137,562
2007	27,969	61,224	244,775	135,362
2008	27,969	61,224	247,690	132,888
2009	27,969	61,224	244,920	135,082
Subsequent	528,264	512,339	1,970,100	538,991
	<u>\$ 643,104</u>	<u>\$ 818,459</u>	<u>\$3,201,955</u>	<u>\$1,214,547</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 2004 and 2003, 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 10.84% of their gross salaries. The Village contributed an amount equal to 13.55% of participants gross salaries. The Village has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- * Comprehensive property and general liability.
- * Vehicles
- * Errors and Omissions

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

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

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

We have audited the financial statements of The Village of Johnstown as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 4, 2005. 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.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered the Village of Johnstown's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. 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 of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Village of Johnstown in a separate letter dated March 4, 2005.

Compliance

As part of obtaining reasonable assurance about whether the Village of Johnstown's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our test disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2004-01 and 2004-02. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Johnstown in a separate letter dated March 4, 2005.

This report is intended for the information of the Mayor, Village Administrator, Clerk, Council and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
March 4, 2005

**VILLAGE OF JOHNSTOWN
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

FINDING NUMBER 2004-01

Ohio Revised Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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.

Prior certification was not obtained for 11.0% of the expenditures tested.

The Finance Director should certify funds before each payment is made through the issuance of a regular, blanket, or super blanket purchase order. Blanket certificates may be prepared for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of Council against any specific line item account over a period not running beyond the end of the current fiscal year. 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. A super blanket purchase order can be completed for any amount for expenditures and contracts from a specific line appropriation account, in a specific fund, for most recurring or reasonable predictable operating expenditures. This certificate is not to extend beyond the fiscal year.

Also, as an alternative, the Village can issue then and now certificates. Then and now certificates allow the Finance Director to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Finance Director without subsequent authorization from Council. However, Then and Now certificates issued by the Finance Director over \$3,000 must be authorized by Council within thirty days after payment.

The Village Administrator and all appropriate department supervisors should sign-off on all purchase orders or requisitions to help ensure compliance and serve as a monitoring review for all Village purchases.

FINDING NUMBER 2004-02

Ohio Revised Code Section 5705.09, requires each subdivision to establish the following fund: A Bond Retirement Fund, for the retirement of serial bonds, notes or certificates of indebtedness. The Village has issued bonds and notes in relation to a construction project on the municipal building. The retirement of this debt should be recorded in a Debt Service fund.



**Auditor of State
Betty Montgomery**

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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
MAY 17, 2005**