

***JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Johnston Township
P.O. Box 639
Cortland, Ohio 44410

We have reviewed the *Report of Independent Accountants* of Johnston Township, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. Johnston Township is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

September 13, 2010

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**JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2009 and 2008**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008. 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.

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, 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, 2009 and 2008, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2010, 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, 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 considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

June 21, 2010

JOHNSTON TOWNSHIP
TRUMBULL COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2009

	Governmental Fund Types				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Total
Receipts:					
Property and Other Local Taxes	\$ 108,978	\$ 110,159	\$ 6,665	\$ -	\$ 225,802
Charges for Services	-	174,371	-	-	174,371
Licenses, Permits and Fees	381	3,015	-	-	3,396
Fines and Forfeitures	27	-	-	-	27
Intergovernmental	48,285	207,300	-	82,116	337,701
Earnings on Investments	1,175	285	-	-	1,460
Miscellaneous	37,874	71,796	-	-	109,670
Total Receipts	196,720	566,926	6,665	82,116	852,427
Disbursements:					
Current:					
General Government	139,050	337,174	-	-	476,224
Public Safety	1,466	1,759	-	-	3,225
Public Works	-	68,312	-	18,120	86,432
Health	5,000	6,389	-	-	11,389
Conservation-Recreation	12,740	-	-	-	12,740
Capital Outlay	26,352	156,853	-	96,247	279,452
Debt Service:					
Principal Retirement	-	45,000	19,220	-	64,220
Interest & Fiscal Charges	-	6,988	2,866	-	9,854
Total Cash Disbursements	184,608	622,475	22,086	114,367	943,536
Excess of Cash Receipts Over/(Under) Cash Disbursements	12,112	(55,549)	(15,421)	(32,251)	(91,109)
Other Financing Sources/(Uses):					
Proceeds of Loans	-	76,566	-	-	76,566
Transfers-In	-	-	14,583	32,251	46,834
Transfers-Out	(9,370)	(37,464)	-	-	(46,834)
Other Sources	5,606	-	-	-	5,606
Total Other Financing Sources/(Uses)	(3,764)	39,102	14,583	32,251	82,172
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	8,348	(16,447)	(838)	-	(8,937)
Fund Balance January 1, 2009	258,518	255,439	3,416	-	517,373
Fund Balance December 31, 2009	\$ 266,866	\$ 238,992	\$ 2,578	\$ -	\$ 508,436
Reserve for Encumbrances, December 31, 2009	\$ -	\$ 1,984	\$ 23,438	\$ -	\$ 25,422

See accompanying Notes to the Financial Statements.

JOHNSTON TOWNSHIP
TRUMBULL COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2008

	Governmental Fund Types				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Total
Receipts:					
Property and Other Local Taxes	\$ 151,045	\$ 187,389	\$ 6,164	\$ -	\$ 344,598
Charges for Services	-	136,900	-	-	136,900
Licenses, Permits and Fees	465	2,250	-	-	2,715
Fines and Forfeitures	2,003	-	-	-	2,003
Intergovernmental	70,662	360,855	-	99,778	531,295
Special Assessments	-	2,634	-	-	2,634
Earnings on Investments	5,967	3,177	-	-	9,144
Miscellaneous	29,867	5,808	6,900	-	42,575
Total Receipts	260,009	699,013	13,064	99,778	1,071,864
Disbursements:					
Current:					
General Government	115,590	216,281	-	-	331,871
Public Safety	24,525	894	-	-	25,419
Public Works	-	98,540	-	-	98,540
Health	4,972	4,630	-	-	9,602
Conservation-Recreation	6,915	-	-	-	6,915
Capital Outlay	16,976	286,154	-	116,742	419,872
Debt Service:					
Principal Retirement	-	45,000	11,821	-	56,821
Interest & Fiscal Charges	-	3,667	1,522	-	5,189
Total Cash Disbursements	168,978	655,166	13,343	116,742	954,229
Excess of Cash Receipts Over/(Under) Cash Disbursements	91,031	43,847	(279)	(16,964)	117,635
Other Financing Sources/(Uses):					
Advance-In	-	17,120	-	17,120	34,240
Transfers-In	-	3,780	-	16,807	20,587
Advance-Out	-	(17,120)	-	(17,120)	(34,240)
Transfers-Out	-	(20,587)	-	-	(20,587)
Other Sources	12,567	-	-	-	12,567
Total Other Financing Sources/(Uses)	12,567	(16,807)	-	16,807	12,567
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	103,598	27,040	(279)	(157)	130,202
Fund Balance January 1, 2008	154,920	228,399	3,695	157	387,171
Fund Balance December 31, 2008	\$ 258,518	\$ 255,439	\$ 3,416	\$ -	\$ 517,373
Reserve for Encumbrances, December 31, 2008	\$ 561	\$ 530	\$ -	\$ -	\$ 1,091

See accompanying Notes to the Financial Statements.

JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

Johnston Township, Trumbull County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees and a publicly-elected Clerk. The Township provides general governmental services, including road and bridge maintenance and cemetery maintenance.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. **BASIS OF ACCOUNTING**

The Township prepares its financial statements following 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. **CASH**

Investments are included in the fund cash balances. Accordingly, purchases 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 Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** – (continued)

- *Gasoline Tax Fund* – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.
- *Special Fire Levy Fund* – This fund receives property taxes used in the operation of the Township's volunteer fire department.
- *Emergency Vehicle Fund* – This receives property taxes and charges for services used to operate the Township's ambulance service.

Debt Service Fund: This fund accounts for resources the Township accumulates to pay general note debt. There is only one Debt Service fund.

Capital Project Funds: This fund accounts for receipts restricted for acquiring or constructing major governmental capital projects. The Township had the following significant Capital Project Fund:

- *Irishtown Southworth Upgrade* – The Township received a grant from the State of Ohio for a safety upgrade to Irishtown Southworth road.

E. **BUDGETARY PROCESS**

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. **Estimated Resources**

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The county budget commission approves the certificate of estimated resources.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate and submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2009 and 2008. However, those fund balances are available for appropriation.

JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

E. **BUDGETARY PROCESS - (continued)**

2. **Appropriations**

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. **Encumbrances**

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Township's legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding year without being re-appropriated.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

	2009	2008
Demand Deposit	\$ 219,720	\$ 237,447
Certificates of Deposit	3,025	3,025
STAR Ohio	285,691	276,901
Total Deposits and Investments	\$ 508,436	\$ 517,373

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS** – (continued)

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

3. **PROPERTY TAXES**

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2007.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Township.

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. Tangible personal property taxes are being phased out through 2009.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 348,241	\$ 193,978	\$ 154,263
Special Revenue	631,573	661,923	(30,350)
Debt Service	13,037	45,524	(32,487)
Capital Projects	36,626	114,367	(77,741)
Total	\$ 1,029,477	\$ 1,015,792	\$ 13,685

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

4. **BUDGETARY ACTIVITY** – (continued)

2009 Budgeted vs Actual Receipts			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 174,646	\$ 202,326	\$ 27,680
Special Revenue	656,936	643,492	(13,444)
Debt Service	89,231	21,248	(67,983)
Capital Projects	209,856	114,367	(95,489)
Total	\$ 1,130,669	\$ 981,433	\$ (149,236)

2008 Budgeted vs Actual Budgetary Basis Expenditures			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 317,973	\$ 169,539	\$ 148,434
Special Revenue	751,144	693,403	57,741
Debt Service	6,665	13,343	(6,678)
Capital Projects	166,406	133,862	32,544
Total	\$ 1,242,188	\$ 1,010,147	\$ 232,041

2008 Budgeted vs Actual Receipts			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 201,237	\$ 272,576	\$ 71,339
Special Revenue	630,134	719,913	89,779
Debt Service	6,665	13,064	6,399
Capital Projects	166,406	133,705	(32,701)
Total	\$ 1,004,442	\$ 1,139,258	\$ 134,816

5. **DEBT**

Debt outstanding at December 31, 2009 is as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Lease Purchase	\$ 103,258	3.60%
First Responder Note	13,029	5.40%
Ohio Public Works Commission	13,330	0.00%
Dump Truck Loan	68,607	5.25%
Total	\$ 198,224	

The Township entered into a lease purchase agreement in 2004 to purchase a new ambulance and to refinance the 2001 lease purchase of a pumper truck and the 2001 loan for an ambulance.

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

5. DEBT – (continued)

In 2007, Johnston Township took out a note for the purchase of a first responder vehicle for the Johnston Township 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 lease and the OPWC loan.

The Dump Truck Loan was issued by Huntington National Bank in June of 2009 to purchase a dump truck and accessory road equipment. It is to be repaid in 60 monthly installments.

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

Year ending December 31:	Lease Purchase Agreement	OPWC Loan	First Responder Vehicle Note	Dump Truck Loan
2010	\$ 55,300	\$ 6,665	\$ 5,723	\$ 17,448
2011	53,150	6,665	5,723	17,448
2012	-	-	3,815	17,448
2013	-	-	-	17,448
2014	-	-	-	7,270
Total	<u>\$ 108,450</u>	<u>\$ 13,330</u>	<u>\$ 15,261</u>	<u>\$ 77,062</u>

6. RETIREMENT SYSTEM

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10% of their gross pay while the Township contributed an amount equal to 14% in 2009 and 2008 of covered payroll. The Township paid all required contributions through 2009.

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

7. RISK MANAGEMENT – (continued)

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2008 and 2007:

<u>Financial Position</u>	<u>2008</u>	<u>2007</u>
Assets	\$ 40,737,740	\$ 43,210,703
Liabilities	(12,981,818)	(13,357,837)
Net Assets	<u>\$ 27,755,922</u>	<u>\$ 29,852,866</u>

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also, upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. LEGAL COMPLIANCE

In 2009 and 2008, the Township had expenditures exceeding appropriations contrary to Section 5705.41 (B) of the Ohio Revised Code.

In 2009 and 2008, the Township had actual receipts below estimated receipts, which the deficiency reduced the estimated resources below the level of appropriations contrary to Section 5705.36 (A) of the Ohio Revised Code.

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, Trumbull County Ohio (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 21, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 grants 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 such an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2009-001 and 2009-002.

We noted certain matters that we have reported to management of the Township in a separate letter dated June 21, 2010.

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

Charles E. Harris and Associates, Inc.

June 21, 2010

JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

Finding Number: 2009-01

Expenditures and Encumbrances Exceed Appropriations – Noncompliance Citation

Section 5705.41 (B), Ohio Revised Code, prohibits the Township from making expenditure unless it has been properly appropriated. The funds listed below were found to have expenditures plus encumbrances exceeding appropriations:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures plus Encumbrances</u>	<u>Variance</u>
2009			
Special Revenue			
Road & Bridge	\$ 18,000	\$ 19,852	\$ (1,852)
Emergency Vehicle	217,550	317,176	(99,626)
Capital Projects			
Stoddard Hayes Resurfacing	-	90,365	(90,365)
Debt Service			
General Bond Obligation	13,037	45,524	(32,487)
2008			
Special Revenue			
Gasoline Tax	\$ 109,704	\$ 124,695	\$ (14,991)
Debt Service			
General Bond Obligation	6,665	13,343	(6,678)

The legal level of control citations were not disclosed since the Township is cited at the fund level.

We recommend the Township monitor appropriations and expenditures plus encumbrances regularly and amend appropriations as necessary to avoid overspending.

Client Response:

The Township will monitor budgetary activity more closely.

JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2009 AND 2008

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

Finding Number: 2009-02

Estimated Receipts Exceed Actual Receipts – Noncompliance Citation

Ohio Revised Code Section 5705.36(A)(4) requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. The following funds had actual receipts below estimated receipts, which the deficiency reduced the estimated resources below the level of appropriations.

	Estimated Receipts	Actual Receipts	Variance
2009:			
Special Revenue Funds			
FEMA Grant - Equipment	\$123,800	\$121,232	(\$2,568)
Capital Projects Funds			
Stoddard Hayes - Culvert	25,000	8,284	(16,716)
	36,626	24,001	(12,625)
2008:			
Special Revenue Funds			
FEMA Grant - Brush Truck	119,000	113,050	(5,950)
FEMA Grant - Equipment	163,600	153,098	(10,502)
Capital Projects Funds			
Stoddard Hayes - Culvert	36,626	0	(36,626)

We recommend that the Township monitor estimated receipts and actual revenue. The Township should request the County issue an amended certificate of estimated resources when it is known actual revenue will fall below estimated revenue.

Client Response:

The Township will monitor budgetary activity more closely.

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY**
For the Years Ending December 31, 2009 and 2008

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	ORC 5705.41(B) Expenditures plus encumbrances exceeded total appropriations	No	Repeated as finding 2009-01



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 23, 2010**