



**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2011-2010**



**Dave Yost • Auditor of State**



VILLAGE OF JOHNSTOWN  
LICKING COUNTY

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# Dave Yost • Auditor of State

Village of Johnstown  
Licking County  
599 S. Main Street  
P.O. Box 457  
Johnstown, Ohio 43031

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

May 15, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Johnstown  
Licking County  
599 S. Main Street  
P.O. Box 457  
Johnstown, Ohio 43031

To the Village Council:

We have audited the accompanying financial statements of Village of Johnstown, Licking County, Ohio, (the Village) as of and for the year ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village'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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 year ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 the Village of Johnstown, Licking County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Johnstown adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2012, on our consideration of the Village'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 "Dave Yost". The signature is written in a cursive style with a large loop at the end of the last name.

**Dave Yost**  
Auditor of State

May 15, 2012



**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 217,908.40	\$ -	\$ -	\$ -	\$ 217,908.40
Municipal Income Tax	1,529,647.77	-	-	-	1,529,647.77
Intergovernmental	133,491.02	280,629.86	-	-	414,120.88
Charges for Services	8,081.00	-	-	-	8,081.00
Fines, Licenses and Permits	170,492.02	2,114.12	-	-	172,606.14
Earnings on Investments	56,396.91	-	-	-	56,396.91
Miscellaneous	5,015.95	-	-	-	5,015.95
<i>Total Cash Receipts</i>	<u>2,121,033.07</u>	<u>282,743.98</u>	<u>-</u>	<u>-</u>	<u>2,403,777.05</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	973,675.21	4,888.87	-	-	978,564.08
Public Health Services	16,000.00	-	-	-	16,000.00
Leisure Time Activities	24,011.83	-	-	-	24,011.83
Community Environment	88,452.17	1,243.80	-	-	89,695.97
Basic Utility Services	38,566.10	-	-	-	38,566.10
Transportation	33,968.54	174,530.20	-	-	208,498.74
General Government	324,584.05	1,059.93	-	-	325,643.98
Capital Outlay	-	49,534.74	-	167,461.19	216,995.93
Debt Service:					
Principal Retirement	-	8,734.00	219,890.62	-	228,624.62
Interest and Fiscal Charges	-	-	15,491.79	-	15,491.79
<i>Total Cash Disbursements</i>	<u>1,499,257.90</u>	<u>239,991.54</u>	<u>235,382.41</u>	<u>167,461.19</u>	<u>2,142,093.04</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>621,775.17</u>	<u>42,752.44</u>	<u>(235,382.41)</u>	<u>(167,461.19)</u>	<u>261,684.01</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Bonds	-	-	-	-	-
Other Debt Expenses	-	-	-	-	-
Transfers In	-	-	214,150.69	198,854.21	413,004.90
Transfers Out	(413,004.90)	-	-	-	(413,004.90)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(413,004.90)</u>	<u>-</u>	<u>214,150.69</u>	<u>198,854.21</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	208,770.27	42,752.44	(21,231.72)	31,393.02	261,684.01
<i>Fund Cash Balances, January 1</i>	<u>159,669.57</u>	<u>915,864.54</u>	<u>92,473.32</u>	<u>141,137.56</u>	<u>1,309,144.99</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	-	958,616.98	-	-	958,616.98
Committed	-	-	-	-	-
Assigned	116,093.53	-	71,241.60	172,530.58	359,865.71
Unassigned (Deficit)	252,346.31	-	-	-	252,346.31
<i>Fund Cash Balances, December 31</i>	<u>\$ 368,439.84</u>	<u>\$ 958,616.98</u>	<u>\$ 71,241.60</u>	<u>\$ 172,530.58</u>	<u>\$ 1,570,829.00</u>

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

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 2,432,186.91	\$ -	\$ 2,432,186.91
<i>Total Operating Cash Receipts</i>	<u>2,432,186.91</u>	<u>-</u>	<u>2,432,186.91</u>
<b>Operating Cash Disbursements</b>			
Personal Services	415,414.79	-	415,414.79
Employee Fringe Benefits	138,296.04	-	138,296.04
Contractual Services	207,331.57	-	207,331.57
Supplies and Materials	205,164.99	-	205,164.99
Claims	9,397.15	-	9,397.15
Other	23,199.92	-	23,199.92
<i>Total Operating Cash Disbursements</i>	<u>998,804.46</u>	<u>-</u>	<u>998,804.46</u>
<i>Operating Income</i>	<u>1,433,382.45</u>	<u>-</u>	<u>1,433,382.45</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Sale of Bonds	1,185,000.88	-	1,185,000.88
Miscellaneous Receipts	-	159,958.28	159,958.28
Capital Outlay	(614,610.78)	-	(614,610.78)
Principal Retirement	(1,815,541.51)	-	(1,815,541.51)
Interest and Other Fiscal Charges	(229,106.01)	-	(229,106.01)
Other Non-Operating Cash Disbursements	<u>-</u>	<u>(160,688.00)</u>	<u>(160,688.00)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,474,257.42)</u>	<u>(729.72)</u>	<u>(1,474,987.14)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(40,874.97)</u>	<u>(729.72)</u>	<u>(41,604.69)</u>
Fund Cash Balances, January 1	<u>1,318,416.70</u>	<u>24,657.08</u>	<u>1,343,073.78</u>
Fund Cash Balances, December 31	<u>1,277,541.73</u>	<u>23,927.36</u>	<u>1,301,469.09</u>
Reserve for Encumbrances, December 31	<u>\$ 284,145.63</u>	<u>\$ -</u>	<u>\$ 284,145.63</u>

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

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$ 227,496.44	\$ -	\$ -	\$ -	\$ 227,496.44
Municipal Income Tax	1,338,627.19	0.00	0.00	0.00	1,338,627.19
Intergovernmental	123,941.15	247,918.25	0.00	0.00	371,859.40
Charges for Services	7,128.00	0.00	0.00	0.00	7,128.00
Fines, Licenses and Permits	157,566.70	2,183.00	0.00	0.00	159,749.70
Earnings on Investments	31,154.27	0.00	0.00	0.00	31,154.27
Miscellaneous	23,303.02	264.00	0.00	0.00	23,567.02
<b>Total Cash Receipts</b>	<b>1,909,216.77</b>	<b>250,365.25</b>	<b>0.00</b>	<b>0.00</b>	<b>2,159,582.02</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	1,098,365.36	1,815.00	0.00	0.00	1,100,180.36
Public Health Services	15,540.02	0.00	0.00	0.00	15,540.02
Leisure Time Activities	31,899.59	0.00	0.00	0.00	31,899.59
Community Environment	114,206.36	37,294.19	0.00	0.00	151,500.55
Transportation	32,313.95	250,422.23	0.00	0.00	282,736.18
General Government	317,752.61	8,318.28	0.00	0.00	326,070.89
Debt Service:					
Redemption of Principal	0.00	77,428.70	115,928.74	13,820.26	207,177.70
Interest and Fiscal Charges	0.00	18,756.00	8,028.54	10,523.81	37,308.35
Capital Outlay	0.00	0.00	0.00	15,478.00	15,478.00
<b>Total Cash Disbursements</b>	<b>1,610,077.89</b>	<b>394,034.40</b>	<b>123,957.28</b>	<b>39,822.07</b>	<b>2,167,891.64</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>299,138.88</b>	<b>(143,669.15)</b>	<b>(123,957.28)</b>	<b>(39,822.07)</b>	<b>(8,309.62)</b>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In	0.00	1,492.69	216,430.60	127,311.18	345,234.47
Transfers-Out	(345,234.47)	0.00	0.00	0.00	(345,234.47)
Other Financing Uses	(14,728.84)	0.00	0.00	0.00	(14,728.84)
Other Financing Sources	0.00	0.00	0.00	0.00	0.00
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(359,963.31)</b>	<b>1,492.69</b>	<b>216,430.60</b>	<b>127,311.18</b>	<b>(14,728.84)</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(60,824.43)</b>	<b>(142,176.46)</b>	<b>92,473.32</b>	<b>87,489.11</b>	<b>(23,038.46)</b>
Fund Cash Balances, January 1	220,494.00	1,058,041.00	0.00	53,648.45	1,332,183.45
<b>Fund Cash Balances, December 31</b>	<b>\$ 159,669.57</b>	<b>\$ 915,864.54</b>	<b>\$ 92,473.32</b>	<b>\$ 141,137.56</b>	<b>\$ 1,309,144.99</b>
Reserve for Encumbrances, December 31	\$ 36,407.38	\$ 8,997.08	\$ -	\$ -	\$ 45,404.46

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

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 2,034,509.29	\$ -	\$ 2,034,509.29
Total Operating Cash Receipts	<u>2,034,509.29</u>	<u>-</u>	<u>2,034,509.29</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	446,796.05	-	446,796.05
Employee Fringe Benefits	206,562.96	-	206,562.96
Contractual Services	238,382.72	-	238,382.72
Supplies and Materials	208,397.44	-	208,397.44
Other	24,821.58	-	24,821.58
Total Operating Cash Disbursements	<u>1,124,960.75</u>	<u>-</u>	<u>1,124,960.75</u>
Operating Income	<u>909,548.54</u>	<u>-</u>	<u>909,548.54</u>
<b>Other Financing Receipts/Disbursements</b>			
Miscellaneous Receipts	-	93,470.22	93,470.22
Capital Outlay	(172,134.14)	-	(172,134.14)
Redemption of Principal	(739,421.26)	-	(739,421.26)
Interest and Other Fiscal Charges	(203,127.44)	-	(203,127.44)
Other Non-Operating Cash Disbursements	<u>-</u>	<u>(87,815.22)</u>	<u>(87,815.22)</u>
Total Other Financing Receipts/Disbursements	<u>(1,114,682.84)</u>	<u>5,655.00</u>	<u>(1,109,027.84)</u>
Net Receipts Over/(Under) Disbursements	(205,134.30)	5,655.00	(199,479.30)
Fund Cash Balances, January 1	<u>1,523,551.00</u>	<u>19,001.00</u>	<u>1,542,552.00</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 1,318,416.70</u></b>	<b><u>\$ 24,656.00</u></b>	<b><u>\$ 1,343,072.70</u></b>
Reserve for Encumbrances, December 31	<u>\$ 17,636.91</u>	<u>\$ -</u>	<u>\$ 17,636.91</u>

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

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Johnstown, Licking County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village operates by a charter passed by the voters in 1997. The Village provides water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except the financial statements do not include debt service funds external custodians maintain. Note 9 to the financial statements describes these assets.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

The Village values U.S. Treasury Notes at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

The Village had the following significant Special Revenue Funds:

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

Estate Tax Fund (formerly known as the Chambers Fund) – This fund receives donated monies to account for future community projects.

**3. Capital Project Fund**

This fund accounts for receipts assigned for acquiring or constructing major capital projects (except those financed through enterprise or trust funds). This fund receives transfers in to account for Village improvements and retire outstanding debt.

**4. Debt Service Fund**

This fund accounts for resources the Village accumulated to pay bond and note debt.

**5. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents and commercial users to cover water service costs.

Sewer Fund - This fund receives charges for services from residents and commercial users to cover sewer service costs.

**6. Fiduciary Funds (Agency Fund)**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency fund accounts for:

Mayor's Court Fund – This fund receives monies from the collections on fines imposed from tickets issued by the Village's police protection force. Funds are collected, in part, on behalf of the State of Ohio.

VILLAGE OF JOHNSTOWN  
LICKING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

3. Committed

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

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Deposits and Investments**

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$592,892	\$498,635
Certificates of deposit	1,799,291	1,557,477
Total deposits	<u>2,392,183</u>	<u>2,056,112</u>
U.S. Treasury Notes	480,115	596,106
Total deposits and investments	<u><u>\$2,872,298</u></u>	<u><u>\$2,652,218</u></u>



**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**2. Equity in Pooled Deposits and Investments (Continued)**

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

**Investments:** The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

**3. Budgetary Activity**

Budgetary activity for the year ending 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,978,140	\$2,121,033	\$142,893
Special Revenue	211,766	282,744	70,978
Debt Service	385,749	214,151	(171,598)
Capital Projects	185,250	198,854	13,604
Enterprise	3,357,201	3,617,188	259,987
Total	\$6,118,106	\$6,433,970	\$315,864

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,134,228	\$2,028,357	\$105,871
Special Revenue	693,736	239,992	453,744
Debt Service	440,999	235,382	205,617
Capital Projects	312,000	167,461	144,539
Enterprise	4,411,841	3,942,208	469,633
Total	\$7,992,804	\$6,613,400	\$1,379,404

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,413,505	\$1,909,217	(\$504,288)
Special Revenue	210,831	251,858	41,027
Debt Service	123,957	216,431	92,474
Capital Projects	283,500	127,311	(156,189)
Enterprise	2,690,200	2,034,509	(655,691)
Total	\$5,721,993	\$4,539,326	(\$1,182,667)

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,263,186	\$2,006,448	\$256,738
Special Revenue	720,578	403,031	317,547
Debt Service	123,957	123,957	0
Capital Projects	164,000	39,822	124,178
Enterprise	2,571,400	2,257,281	314,119
Total	\$5,843,121	\$4,830,539	\$1,012,582

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax 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 Village.

**5. Local Income Tax**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Income tax revenue is receipted into the General fund of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Municipal Building G.O. Bonds	\$255,000	6%
ODOT State Infrastructure Loan	\$424,583	0-3%
2011 OPWC - CQ28M	\$104,103	0%
2010 OPWC - CT57L	\$63,910	0%
2007 OPWC - CQ02A	\$74,346	0%
2007 OPWC - CQ15J	\$41,000	0%
2005 OPWC - CQ02G	\$67,500	0%
1994 OPWC - CQ724	\$39,956	0%
1995 OPWC - CQ801	\$95,267	0%
2011 Water Mortgage Revenue Bonds	\$1,045,000	5.4%
2008 Sanitary Sewer System G.O. Bonds	\$470,000	4.4 - 6.125%
OPWC Loan - CQ12K	\$15,534	0%
OPWC Loan - CQ02E	\$192,500	0%
2002 OWDA - 3705	\$293,930	4.64%
2004 OWDA - 4098	\$4,169,214	2.22%
Total	<u><u>\$7,351,843</u></u>	

The general obligation bonds are supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The 2002 Ohio Water Development Authority (OWDA) loan relates to the design, planning, and construction of a new water storage tank. In 2004 an additional loan was entered into for the purpose of improvements to the wastewater treatment plant. Funds have been approved in the amount of \$5,593,700.

1997 Mortgage Revenue bonds were obtained for the purpose of paying for improvements to the Village's water supply and waterworks system. Council authorized \$2,875,000 in bonds for the completion of this project. The bonds are collateralized by water receipts. These bonds were refinanced in 2011 for \$1,185,000 at a 5.4% interest rate.

In May 2006, the Village entered into a loan agreement with the Ohio Department of Transportation (ODOT) through the State Infrastructure Bank for the amount not to exceed \$641,237 at an interest rate ranging from 0%-3% for the purpose of constructing approximately 1,500 lineal feet of new roadway to extend Commerce Drive within the existing industrial park

The Village participated in the 2007 State Capital Improvements Program offered by the Ohio Public Works Commission associated with the Hillview Drive Improvements (CQ12K). As part of this project, the Village entered into a loan of \$36,245 at 0% which would be repaid semi-annually by the Village over a period of 7 years. Once OPWC finalizes repayment terms an amortization schedule will be provided for the repayment of this outstanding debt.

The Village participated in the 2007 State Capital Improvements Program offered by the Ohio Public Works Commission associated with the Sunset Drive Improvements (CQ15J). As part of this project, the Village entered into a loan of \$409,985 at 0% which would be repaid semi-annually by the Village over a period of 5 years.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. Debt (Continued)**

The Village has participated in several other State Capital Improvements Programs offered by the Ohio Public Works Commission. These are all 0% interest loans that will be paid semi-annually by the Village of a period ranging from 5-20 years. These are associated with the replacements of water wells, water lines, water tanks and water treatment plant improvements. These will be paid for with revenue from water and sewer fees.

The Village issued \$650,000 Sanitary Sewer System Improvement General Obligation Bonds during 2008 with stated interest rates ranging from 4.4% to 6.125% with stated final maturity in December 2017.

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

Year ending 12/31:	Munic. Building G.O Bond	2011 OPWC - CQ28M	2005 OPWC - CQ02G	2010 OPWC - CT57L	2007 OPWC Loan CQ15J	2007 OPWC - CQ02A	1994 OPWC - CQ724	1995 OPWC - CQ801
2012	134,183	11,567	5,000	3,551	41,000	11,438	10,559	21,170
2013	134,745	11,567	5,000	3,551	-	11,438	10,559	21,170
2014	-	11,567	5,000	3,551	-	11,438	10,559	21,170
2015	-	11,567	5,000	3,551	-	11,438	5,279	21,170
2016	-	11,567	5,000	3,551	-	11,438	-	10,587
2017-2021	-	34,701	20,000	17,752	-	17,156	-	-
2022-2026	-	11,567	20,000	17,752	-	-	-	-
2027-2031	-	-	2,500	10,651	-	-	-	-
2032-2036	-	-	-	-	-	-	-	-
<b>Total</b>	<b>268,928</b>	<b>104,103</b>	<b>67,500</b>	<b>63,910</b>	<b>\$ 41,000</b>	<b>74,346</b>	<b>36,956</b>	<b>95,267</b>

Year ending 12/31:	2011 Water Mortgage Revenue Bonds	ODOT State Infrastructure Loan	2008 Sanitary Sewer System G.O. Bonds	OPWC Loan - CQ12K	OPWC Loan - CQ02E	2002 OWDA- 3705	2004 OWDA - 4098	Total
2012	247,600	90,672	97,212	5,178	17,500	22,969	347,880	1,067,479
2013	247,100	90,672	93,712	5,178	17,500	22,969	347,880	1,023,041
2014	245,500	90,672	95,212	5,178	17,500	22,969	347,880	888,196
2015	244,300	90,672	95,619	-	17,500	22,969	347,880	876,945
2016	247,000	90,672	95,718	-	17,500	22,969	347,880	863,882
2017-2021	243,800	-	95,513	-	87,500	114,845	1,739,400	2,370,667
2022-2026	-	-	-	-	17,500	114,846	1,066,450	1,248,115
2027-2031	-	-	-	-	-	114,846	-	127,997
2032-2036	-	-	-	-	-	22,970	-	22,970
<b>Total</b>	<b>1,475,300</b>	<b>453,360</b>	<b>572,986</b>	<b>15,534</b>	<b>192,500</b>	<b>482,352</b>	<b>4,545,250</b>	<b>8,489,292</b>

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. Retirement Systems**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**8. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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

**9. Debt Service Trust Funds**

The Water Mortgage Revenue Bonds agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2011, the custodian held \$247,690 in Village assets. The accompanying financial statements do not include these assets or the related receipts and disbursements.

**10. Contingent Liabilities**

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

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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# Dave Yost • Auditor of State

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

Village of Johnstown  
Licking County  
599 S. Main Street  
P.O. Box 457  
Johnstown, Ohio 43031

To the Village Council:

We have audited the financial statements of the Village of Johnstown, Licking County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated May 15, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 54 during 2011. 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 Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

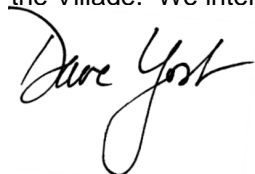
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 15, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

May 15, 2012



VILLAGE OF JOHNSTOWN  
LICKING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011

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

FINDING NUMBER 2011-001

**Material Weakness - Bank Reconciliations and Financial Statement Presentation**

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

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

No bank reconciliations were performed over the Mayor's Court Bank account or the Water/Sewer bank account during fiscal year 2010-2011. The Village Finance Director performed retroactive reconciliations for the Mayor's Court and Sewer/Water account, there were reconciling items ranging from \$949 to negative \$2,300 throughout the audit period.

Also, upon further investigation the following discrepancies were discovered with the bank reconciliations on all other accounts, with any needed adjustments being made to the accounting system and financial statements:

- There were other adjusting factors noted on the bank reconciliations. These amounts were noted as "receipts not posted into system". The bank reconciliation for December 2011 had unrecorded deposits of \$18,862 and were not posted into the system.
- There were variances between the book and system that ranged from \$5,147 to \$137,769 on the monthly reconciliations provided for audit during the two year period. The Village bank to book reconciliation for December 31, 2010 had a variance of \$10. The December 31, 2011 had a variance of approximately \$2,000.
- It was noted during the zoning receipt testing that citizens of the Village had an option to pay zoning fees online through the same automated system used for the water and sewer. The Village Finance Director and water and sewer clerk were unaware the Village was getting these receipts through the online payment system. These receipts were being booked as part of water and sewer revenue because the Village did not know they were receiving this. If bank reconciliations were being performed for the water and sewer account, the extra revenue would have been noted.

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

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011  
(Continued)**

**FINDING RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2011-001 (Continued)**

**Material Weakness - Bank Reconciliations and Financial Statement Presentation (Continued)**

It was further noted the Finance Director did not always accurately post receipts and disbursements to the Village's accounting system. The following posting errors were noted, and proper adjustments were made to the financial statements of the Village:

Posting Error	2011	2010
Reclassification from community environment expense account to principal and interest in the Special Revenue fund type.	\$8,734	\$5,512
Reclassification from the capital outlay expense account to principal and interest in the Capital Projects fund type.	\$0	\$10,522
Reclassification from interest to principal in the Enterprise fund type.	\$13,575	\$29,245
Reclassification of non-operating revenue posted as operating revenue in the agency fund.	\$0	\$93,470
Gross up of posted sale of G.O. Bonds in the Debt Service fund type.	\$0	\$49,580
Reclassification of Transfers-In from Other Financing Sources in the Debt Service Fund		\$216,430
Reclassification of Misc Revenue to Charges for Services in the Enterprise Fund		\$54,954
Reclassification of Committed Equity to Assigned in the General Fund	\$116,094	
Reclassification of Committed Equity to Assigned in the Debt Service Fund	\$71,242	
Reclassification of Committed Equity to Assigned in the Capital Projects Fund	\$172,531	
Removed the activity related to the refunding of debt from the Debt Service Fund to the Enterprise fund because of the debt's relationship to the Enterprises of the Village – net effect on Fund Balance was \$0	\$1,185,001	

Not posting receipts and disbursements amounts accurately to the ledgers resulted in the financial statements requiring numerous audit reclassifications and adjusting entries; furthermore, inaccurate accounting records could make it difficult for Council to effectively manage the Village's activities.

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

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011  
(Continued)**

**FINDING RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2011-001 (Continued)**

**Material Weakness - Bank Reconciliations and Financial Statement Presentation (Continued)**

**Official's Response:**

The Finance Director did review bank balances daily on-line and he did not spend the extra time to balance to less than \$4,000 on a regular basis. Principal payments were made from interest line items and the Finance Director should have adjusted the budget for Council. The Finance Director did pay down more than budgeted principal debt in 2010 and 2011.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2009-001	Finding for Recovery – noncompliance – no supporting documentation	Yes	
2009-002	Finding for Recovery – noncompliance – Cash Advance	Yes	
2009-003	Finding for Recovery – noncompliance – Proper Public Purpose	Yes	
2009-004	Material Weakness – Council Monitoring – Monthly Reports	Yes	
2009-005	Material Weakness – Bank Reconciliations	No	Repeated as Finding 2011-001
2009-006	Material Weakness – Financial Statement Presentation	No	Repeated as Finding 2011-001
2009-007	Material Weakness/Noncompliance – Maintaining Supporting Documentation for Disbursements	Yes	
2009-008	Noncompliance – Interest Allocation	Yes	
2009-009	Noncompliance – Appropriations Exceeding Estimated Resources	No	Partially Corrected- Reported as a Management Letter Comment
2009-010	Noncompliance – Annual Report Filing	No	Partially Corrected - Reported as a Management Letter Comment
2009-011	Noncompliance – ICMA Transactions	Yes	
2009-012	Noncompliance – Actual Revenue Deficiency	Yes	
2009-013	Noncompliance – Certification of Funds	No	Partially Corrected - Reported as a Management Letter Comment



# Dave Yost • Auditor of State

VILLAGE OF JOHNSTOWN

LICKING COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 07, 2012