

JOHNSTON TOWNSHIP

TRUMBULL COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2013 and 2012





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of Johnston Township, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. 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. Johnston Township is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

August 28, 2014

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JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Johnston Township, Trumbull County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

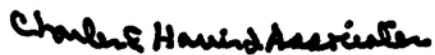
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Johnston Township, Trumbull County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
July 11, 2014

JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2013

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Local Taxes	\$ 85,523	\$ 102,208	-	-	\$ 187,731
Charges for Services	-	303,124	-	-	303,124
Licenses, Permits and Fees	17,913	2,390	-	-	20,303
Intergovernmental	45,509	105,645	-	\$ 96,370	247,524
Earnings on Investments	3,014	336	-	-	3,350
Miscellaneous	18,507	203,152	-	-	221,659
Total Receipts	170,466	716,855	-	96,370	983,691
Disbursements:					
General Government	123,277	-	-	-	123,277
Public Safety	2,560	544,314	-	-	546,874
Public Works	-	55,848	-	-	55,848
Health	2,693	6,885	-	-	9,578
Conservation/Recreation	11,972	-	-	-	11,972
Capital Outlay	59,902	4,188	-	136,524	200,614
Debt Service:					
Principal Retirement	-	106,901	\$ 26,237	-	133,138
Interest & Fiscal Charges	-	3,035	2,235	-	5,270
Total Disbursements	200,404	721,171	28,472	136,524	1,086,571
Receipts Over/(Under) Disbursements	(29,938)	(4,316)	(28,472)	(40,154)	(102,880)
Other Financing Sources/(Uses):					
Other Debt Proceeds	-	88,000	-	-	88,000
Sale of Capital Assets	2,312	-	-	-	2,312
Transfers In	-	-	29,063	40,154	69,217
Transfers Out	(30,000)	(39,217)	-	-	(69,217)
Total Other Financing Sources/(Uses)	(27,688)	48,783	29,063	40,154	90,312
Excess Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(57,626)	44,467	591	-	(12,568)
Fund Balance, January 1, 2013	522,346	181,458	1,613	852	706,269
Fund Balance					
Restricted	-	225,925	2,204	852	228,981
Unassigned	464,720	-	-	-	464,720
Fund Balance, December 31, 2013	\$ 464,720	\$ 225,925	\$ 2,204	\$ 852	\$ 693,701

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

**JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2012**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Local Taxes	\$ 84,718	\$ 99,558	-	-	\$ 184,276
Charges for Services	-	279,620	-	-	279,620
Licenses, Permits and Fees	17,303	5,850	-	-	23,153
Intergovernmental	71,959	109,987	-	\$ 16,280	198,226
Earnings on Investments	3,015	60	-	-	3,075
Miscellaneous	144,171	2,955	-	-	147,126
Total Receipts	321,166	498,030	-	16,280	835,476
Disbursements:					
General Government	134,099	-	-	-	134,099
Public Safety	2,414	368,049	-	-	370,463
Public Works	-	69,720	-	-	69,720
Health	2,362	6,859	-	-	9,221
Conservation/Recreation	9,081	-	-	-	9,081
Capital Outlay	23,061	5,000	-	24,742	52,803
Debt Service:					
Principal Retirement	-	24,488	\$ 15,720	-	40,208
Interest & Fiscal Charges	-	333	1,734	-	2,067
Total Disbursements	171,017	474,449	17,454	24,742	687,662
Receipts Over/(Under) Disbursements	150,149	23,581	(17,454)	(8,462)	147,814
Other Financing Sources/(Uses):					
Transfers In	-	-	16,000	9,314	25,314
Transfers Out	-	(25,314)	-	-	(25,314)
Total Other Financing Sources/(Uses)	-	(25,314)	16,000	9,314	-
Excess Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	150,149	(1,733)	(1,454)	852	147,814
Fund Balance, January 1, 2012	372,197	183,191	3,067	-	558,455
Fund Balance					
Restricted	-	181,458	1,613	852	183,923
Unassigned	522,346	-	-	-	522,346
Fund Balance, December 31, 2012	\$ 522,346	\$ 181,458	\$ 1,613	\$ 852	\$ 706,269

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

JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

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 Fiscal Officer. 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, 2013 and 2012

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 Fund: This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

- *Stoddard Hayes Resurfacing Fund* – This fund is used to account for grant funds used for resurfacing of Stoddard Hayes Road.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, 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 Fiscal Officer 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 Fiscal Officer identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2013 and 2012. However, those fund balances are available for appropriation.

JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

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.

H. FUND BALANCE

Fund balance is divided into classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township 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.

JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

H. FUND BALANCE (continued)

3. Committed

Trustees can commit amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend 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.

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 Township Trustees or a Township 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 Township 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.

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:

	2013	2012
Demand Deposits	\$ 609,058	\$ 627,882
Total Deposits	609,058	627,882
Investments:		
STAR-Ohio	81,618	75,368
Certificate of Deposit	3,025	3,019
Total Investments	84,643	78,387
Total Deposits and Investments	\$ 693,701	\$ 706,269

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, 2013 and 2012

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 become a lien on January 1 preceding the October 1 date for which the Trustees 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.

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

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs Actual Budgetary Basis Disbursements			
Funds	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 669,791	\$ 230,404	\$ 439,387
Special Revenue	819,149	760,388	58,761
Debt Service	17,484	28,472	(10,988)
Capital Projects	119,963	136,524	(16,561)
Total	\$ 1,626,387	\$ 1,155,788	\$ 470,599

2013 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 169,689	\$ 172,778	\$ 3,089
Special Revenue	659,951	804,855	144,904
Debt Service	17,520	29,063	11,543
Capital Projects	119,963	136,524	16,561
Total	\$ 967,123	\$ 1,143,220	\$ 176,097

JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

4. BUDGETARY ACTIVITY – (continued)

2012 Budgeted vs Actual Budgetary Basis Disbursements			
Funds	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 551,487	\$ 171,017	\$ 380,470
Special Revenue	659,594	499,763	159,831
Debt Service	20,500	17,454	3,046
Capital Projects	136,243	24,742	111,501
Total	\$ 1,367,824	\$ 712,976	\$ 654,848

2012 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 180,712	\$ 321,166	\$ 140,454
Special Revenue	494,079	498,030	3,951
Debt Service	17,520	16,000	(1,520)
Capital Projects	136,243	25,594	(110,649)
Total	\$ 828,554	\$ 860,790	\$ 32,236

5. DEBT

Debt outstanding at December 31, 2013 is as follows:

	Principal	Interest Rate
Dump Truck Loan	\$ 5,616	5.25%
Middlefield Bank Ambulance Loan	79,764	3%
Total	\$ 85,380	

The beginning debt balance was understated by \$33,765.

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.

In 2013, the Township obtained a five-year loan from the Middlefield Bank for an ambulance with semi-annual payment of \$9,563.

JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

5. DEBT – (Continued)

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

Year ending December 31:	Dump Truck Loan	Middlefield Bank Loan
2014	\$ 7,270	\$ 19,126
2015		19,126
2016	-	19,126
2017	-	19,126
2018	-	19,126
Total	\$ 7,270	\$ 95,630

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% in 2012 and in 2013 of their gross pay while the Township contributed an amount equal to 14% of covered payroll for both years. The Township paid all required contributions through 2013.

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.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

7. RISK MANAGEMENT – (Continued)

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.

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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Assets	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township’s share of these unpaid claims collectible in future years is approximately \$9,995.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$18,173	\$15,358

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Settlement amounts did not exceed insurance coverage for the past three fiscal years. The Township did not reduce coverages significantly from the prior year.

JOHNSTON TOWNSHIP
TRUMBULL COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. TRANSFERS

In 2012 and 2013, various special funds made transfers for their portion of debt payments and capital projects. Furthermore, the General Fund transferred \$30,000 to the Capital Project Fund to assist with construction. All transfers were in compliance with Ohio Revised Code Section 5705.14-16.

10. PRIOR PERIOD ADJUSTMENTS

Voided checks in 2012 for 2011 checks caused the following restatements to the prior year fund balances.

	General Fund	Special Revenue Funds
	<u> </u>	<u> </u>
Fund cash balance, December 31, 2011	\$371,897	\$181,527
Adjustments	300	1,664
Fund Cash Balance January 1, 2012	<u><u>\$372,197</u></u>	<u><u>\$183,191</u></u>

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

**INDEPENDENT AUDITORS' 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 43326

To the Township Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Johnston Township, Trumbull County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated July 11, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified a certain 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-JTT-01 and 2013-JTT-02 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 one instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the schedule of findings as item 2013-JTT-03.

Entity's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CHARLES E. HARRIS & ASSOCIATES, INC.

July 11, 2014

JOHNSTON TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2013-JTT-01 – Material Weakness

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01 and the Ohio Township Handbook. We noted various transactions posted to incorrect receipt and disbursement line items including, but not limited to:

- Franchise Fees recorded as Miscellaneous instead of Licenses, Permits and Fees in 2012 and 2013;
- Homestead and rollback receipts recorded as Property and Other Taxes instead of Intergovernmental in the General Fund in 2012 and 2013;
- Debt proceeds and insurance claims were recorded as Special Assessments instead of Debt proceeds and Miscellaneous Revenue in 2013;
- Fire Department expenditures were sometimes recorded as General Government instead of Public Safety in 2012 and 2013;
- Debt principal and interest for the ambulance were sometimes recorded as public safety rather than Principal and Interest.

The accompanying financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management review all its transactions and draft financial statements. Such a review should include procedures to ensure that all receipts and disbursements are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper classification of receipt and disbursement accounts and posting of transactions.

Officials' Response:

Management will review the above reference materials and post transactions correctly in the future.

Finding Number: 2013-JTT-02 – Material Weakness

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on budgetary receipts and disbursements.

The Township enters budgetary data for estimated receipts and expenditures. However, the amounts entered do not agree with the Official Certificate of Estimated Resources or approved appropriations. This can lead to decisions being made on faulty budgetary data and can lead to overspending and creating a negative fund balance if not monitored.

JOHNSTON TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF FINDINGS - continued
December 31, 2013 and 2012

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

Finding Number: 2013-JTT-02 – continued

We recommend that the Township post the approved appropriations and official certificate of estimated resources to the UAN system by the first of each year. Any amendments to those official documents should be promptly posted to the system upon approval. This will lead to correct budgetary information and Township decisions can be made on accurate data.

Officials' Response:

Management will post all approved budgetary information on a timely basis.

Finding Number: 2013-JTT-03 – 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:

Fund	Appropriations	Expenditures plus Encumbrances	Variance
2013			
Special Revenue			
Emergency Vehicle	\$ 498,775	\$ 615,432	\$ (116,657)
Capital Projects			
Love Warner Road Upgrade	119,963	136,523	(16,560)
Debt Service			
General Bond Retirement	17,484	28,472	(10,988)
2012			
Capital Projects			
Stoddard Hayes Resurfacing	-	1,148	(1,148)

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

Officials' Response:

Management will tightly monitor all budgetary activity in the future.

JOHNSTON TOWNSHIP
 TRUMBULL COUNTY
 For the Years Ended December 31, 2013 and 2012

STATUS OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-JTTC-01	Debt and Revenue Reclassifications	No	Repeated as 2013- JTT-01



Dave Yost • 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 11, 2014**