



**Auditor of State
Betty Montgomery**

JOHNSON TOWNSHIP
CHAMPAIGN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Johnson Township
Champaign County
P.O. Box 663
St. Paris, Ohio 43072

To the Board of Trustees:

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

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

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this type of service to impair the independence of the Auditor of State to conduct the audit of the Township, because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because, because Ohio Revised Code 117.101 requires the Auditor to provide UAN services, and Ohio Revised Code 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

October 7, 2004

**JOHNSON TOWNSHIP
CHAMPAIGN COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$54,401	\$113,127		\$167,528
Intergovernmental	21,820	75,896		97,716
Special Assessments		1,924		1,924
Licenses, Permits, and Fees	6,575			6,575
Earnings on Investments	2,893	1,459		4,352
Other Revenue	1,639	4,034		5,673
	<u>87,328</u>	<u>196,440</u>		<u>283,768</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	41,008			41,008
Public Safety		20,513		20,513
Public Works		154,706		154,706
Health	14,194			14,194
	<u>55,202</u>	<u>175,219</u>		<u>230,421</u>
Total Cash Disbursements				
Total Receipts Over Disbursements	32,126	21,221		53,347
Fund Cash Balances, January 1	<u>97,114</u>	<u>453,911</u>	<u>30,699</u>	<u>581,724</u>
Fund Cash Balances, December 31	<u><u>\$129,240</u></u>	<u><u>\$475,132</u></u>	<u><u>\$30,699</u></u>	<u><u>\$635,071</u></u>

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

**JOHNSON TOWNSHIP
CHAMPAIGN COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$20,109	\$152,143		\$172,252
Intergovernmental	18,332	72,889		91,221
Special Assessments		1,496		1,496
Licenses, Permits, and Fees	5,896			5,896
Earnings on Investments	5,155	2,484		7,639
Other Revenue	164	1,270		1,434
	<u>49,656</u>	<u>230,282</u>		<u>279,938</u>
Total Cash Receipts				
	<u>49,656</u>	<u>230,282</u>		<u>279,938</u>
Cash Disbursements:				
Current:				
General Government	40,575			40,575
Public Safety		17,698		17,698
Public Works		194,516		194,516
Health	11,963			11,963
Capital Outlay		5,975	\$2,052	8,027
Debt Service:				
Redemption of Principal	7,510	17,523		25,033
Interest and Fiscal Charges	268	624		892
	<u>60,316</u>	<u>236,336</u>	<u>2,052</u>	<u>298,704</u>
Total Cash Disbursements				
	<u>60,316</u>	<u>236,336</u>	<u>2,052</u>	<u>298,704</u>
Total Receipts (Under) Disbursements	(10,660)	(6,054)	(2,052)	(18,766)
Fund Cash Balances, January 1	<u>107,774</u>	<u>459,965</u>	<u>32,751</u>	<u>600,490</u>
Fund Cash Balances, December 31	<u>\$97,114</u>	<u>\$453,911</u>	<u>\$30,699</u>	<u>\$581,724</u>

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

**JOHNSON TOWNSHIP
CHAMPAIGN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Johnson Township, Champaign County, (the "Township"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance and cemetery maintenance.

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

B. Basis of Accounting

These financial statements follow the basis of accounting 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).

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

C. Cash and Investments

The Township held all of its money in demand accounts.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives tax levy money to pay for constructing, maintaining and repairing Township roads.

Road District Fund - This fund receives tax levy money to pay for constructing, maintaining and repairing Township roads.

**JOHNSON TOWNSHIP
CHAMPAIGN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund.

Permanent Improvement – This fund received the proceeds from the sale of the old township building and other property and is used to pay for capital improvements with a life of more than five years.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

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

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as 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.

**JOHNSON TOWNSHIP
CHAMPAIGN COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$635,071	\$581,724

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,761	\$87,328	\$35,567
Special Revenue	189,692	196,440	6,748
Total	\$241,453	\$283,768	\$42,315

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$156,376	\$55,202	\$101,174
Special Revenue	677,704	175,219	502,485
Capital Projects	30,699	0	30,699
Total	\$864,779	\$230,421	\$634,358

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,829	\$49,656	\$827
Special Revenue	208,392	230,282	21,890
Total	\$257,221	\$279,938	\$22,717

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$156,603	\$60,316	\$96,287
Special Revenue	668,357	236,336	432,021
Capital Projects	32,751	2,052	30,699
Total	\$857,711	\$298,704	\$559,007

**JOHNSON TOWNSHIP
CHAMPAIGN COUNTY**

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

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

Employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a 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 also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2003. The Township has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

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

**JOHNSON TOWNSHIP
CHAMPAIGN COUNTY**

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

6. RISK MANAGEMENT (Continued)

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

Property Coverage

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

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

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Johnson Township
Champaign County
P.O. Box 663
St Paris, Ohio 43072-0663

To the Board of Trustees:

We have audited the accompanying financial statements of Johnson Township (the "Township") as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon October 7, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of States' Uniform Accounting Network (UAN). *Government Auditing Standards* considers this type of service to impair the independence of the Auditor of State to conduct the audit of the Township, because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated October 7, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated October 7, 2004.

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This report is intended solely for the information and use of the audit committee, management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 7, 2004

**JOHNSON TOWNSHIP
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 and 2002**

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

FINDING NUMBER 2003-001

Finding for Recovery – Resolved During Audit

Township Minutes dated December 16, 2002, state that the road maintenance worker, Mr. Richard Brecount, will receive a raise of 25 cents per hour for 2003. As a result of this raise, Mr. Brecount's rate of pay increased from \$12.98 to \$13.23 an hour. During 2003, Mr. Brecount was paid \$13.37 per hour which resulted in an overpayment of \$291.20.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against, road maintenance worker Richard Brecount, and Suellen Slayton, Township Clerk, and her bonding company Ohio Government Risk Management Plan, jointly and severally, and in the favor of Johnson Township, in the amount of \$291.20.

In the August 3, 2004 Township minutes, the Township Trustees retroactively approved Mr. Brecount's 2003 hourly wage at \$13.37. As a result, the overpayment of wages in the amount of \$291.20 is no longer owed to the Township.

FINDING NUMBER 2003-002

Noncompliance

Ohio Rev. Code Section 505.60.1 states that if a board of township trustees does not procure health care benefits for its officers and employees, as provided in Ohio Rev. Code Section 505.60, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs. However, the following three conditions must be met:

- a. The board of township trustees adopts a resolution stating that the township has chosen not to procure a health care plan and has chosen instead to reimburse its officers and employees for each out-of-pocket premium,
- b. The resolution provides for a uniform maximum monthly or yearly payment amount for each officer and employee.
- c. The resolution states the specific benefits, pursuant to Ohio Rev. Code Section 505.60(A), that will be reimbursed.

The Township did not have a resolution that meets the requirements of this Ohio Revised Code Section. However, the Township minutes did indicate that the Township will reimburse its Trustees up to \$1,000 if they want insurance coverage. The minutes do not clearly state whether or not this benefit is available to the Clerk and Township employees. During 2003 and 2002, the Township reimbursed Trustee Jack Purk \$1,000 for insurance premiums. During 2003, the Township reimbursed Trustee Mike Crabtree \$1,200 for insurance premiums of \$600 paid during 2003 and 2002.

The failure to adopt a policy that meets the requirements of Ohio Revised Code Section 505.60.1 may result in findings for recovery against Township Officials for insurance premiums reimbursed in subsequent years. The Township should consult with its legal counsel for assistance in preparing a resolution that meets the specific requirements of this Ohio Revised Code Section. In addition, this resolution should retroactively approve the reimbursements made in 2003 and 2002.

JOHNSON TOWNSHIP
CHAMPAIGN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40311-001	ORC Sec. 5705.41(D) – The Township did not certify funds prior to expenditures	Yes	



**Auditor of State
Betty Montgomery**

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JOHNSON TOWNSHIP

CHAMPAIGN 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
NOVEMBER 18, 2004**