



**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2016 & 2017**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Johnston Township, Trumbull County, prepared by Canter & Associates, for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted this report 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

October 17, 2018

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**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

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CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S 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 of the cash balances, receipts and disbursements by fund type of the Johnston Township, Trumbull County (the Township), as of and for the years ended December 31, 2016 and 2017, and the related notes to the financial statements, which collectively comprise Johnston Township, Trumbull County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles-(continued)***

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2016 and 2017, and the respective changes in financial position thereof for the then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Johnston Township, Trumbull County as of December 31, 2016 and 2017, for the then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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.



**Canter & Associates**  
Poland, Ohio

June 29, 2018



**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$92,869	\$104,818	\$ -	\$197,687
Charges for Services	-	222,259	-	222,259
Licenses, Permits, and Fees	17,717	3,340	-	21,057
Intergovernmental	49,187	111,821	-	161,008
Special Assessments	5,000	-	-	5,000
Earnings on Investments	3,208	440	-	3,648
Miscellaneous	35,524	1,530	-	37,054
	<u>203,505</u>	<u>444,208</u>	<u>-</u>	<u>647,713</u>
Total Cash Receipts				
<b>Cash Disbursements:</b>				
Current:				
General Government	133,757	-	-	133,757
Public Safety	1,511	313,216	-	314,727
Public Works	-	97,345	-	97,345
Health	5,756	6,602	-	12,358
Conservation-Recreation	12,641	-	-	12,641
Capital Outlay	14,599	-	-	14,599
Debt Service:				
Redemption of Principal	-	17,867	-	17,867
Interest and Other Fiscal Charges	-	1,260	-	1,260
	<u>168,264</u>	<u>436,290</u>	<u>-</u>	<u>604,554</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>35,241</u>	<u>7,918</u>	<u>-</u>	<u>43,159</u>
<i>Net Change in Fund Cash Balances</i>	35,241	7,918	-	43,159
Fund Cash Balances, January 1	<u>391,173</u>	<u>264,632</u>	<u>852</u>	<u>656,657</u>
Fund Cash Balances, December 31				
Restricted	-	272,550	852	273,402
Assigned	426,414	-	-	426,414
Unassigned	-	-	-	0
	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>
<i>Total Fund Cash Balances, December 31</i>	<u><b>\$426,414</b></u>	<u><b>\$272,550</b></u>	<u><b>\$852</b></u>	<u><b>\$699,816</b></u>

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

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$93,766	\$106,186	\$ -	\$199,952
Charges for Services	-	277,400	-	277,400
Licenses, Permits, and Fees	17,287	2,880	-	20,167
Intergovernmental	78,437	126,522	-	204,959
Earnings on Investments	4,627	541	-	5,168
Miscellaneous	21,086	26,389	-	47,475
	<u>215,203</u>	<u>539,918</u>	<u>-</u>	<u>755,121</u>
Total Cash Receipts				
<b>Cash Disbursements:</b>				
Current:				
General Government	131,135	95	-	131,230
Public Safety	1,209	338,685	-	339,894
Public Works	-	77,059	-	77,059
Health	4,369	7,932	-	12,301
Conservation-Recreation	10,986	-	-	10,986
Other	-	-	-	0
Capital Outlay	19,416	534	-	19,950
Debt Service:				
Redemption of Principal	-	18,418	-	18,418
Interest and Other Fiscal Charges	-	709	-	709
	<u>167,115</u>	<u>443,432</u>	<u>-</u>	<u>610,547</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	48,088	96,486	-	144,574
<b>Other Financing Receipts/(Disbursements):</b>				
Other Financing Sources	1,725	2,686	-	4,411
<i>Net Change in Fund Cash Balances</i>	49,813	99,172	-	148,985
Fund Cash Balances, January 1	426,414	272,550	852	699,816
Fund Cash Balances, December 31				
Restricted	-	371,722	852	372,574
Assigned	458,499	-	-	458,499
Unassigned	17,728	-	-	17,728
<i>Total Fund Cash Balances, December 31</i>	<u><b>\$476,227</b></u>	<u><b>\$371,722</b></u>	<u><b>\$852</b></u>	<u><b>\$848,801</b></u>

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

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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**1. REPORTING ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of Johnston Township, Trumbull County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Township participates in one public entity risk pool. Note 9 to the financial statements provide additional information for these entities, which are;

Public Entity Risk Pool – Ohio Township Association Risk Management Authority (OTARMA) – The risk sharing pool, available to Ohio Townships provides property and casualty insurance for its members. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members’ deductibles.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Special Levy Fire Fund – This fund receives property tax money for the support of the Fire Department for the Township.

Ambulance and Emergency Medical Fund – This fund receives property tax money as well as charges for services to support services provided to the residents of the Township.

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

Gas Tax Fund – This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

***Deposits and Investments***

The Township'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.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

***Capital Assets***

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

***Fund Balance***

Fund balance is divided into five 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:

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

***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.

***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.

***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.

***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.

***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.

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$205,792	\$203,505	(\$2,287)
Special Revenue	487,472	444,208	(43,264)
Debt Service	19,000	0	(19,000)
Total	\$712,264	\$647,713	(\$64,551)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$600,100	\$168,264	\$431,836
Special Revenue	741,957	436,290	305,667
Debt Service	19,000	0	19,000
Total	\$1,361,057	\$604,554	\$756,503

**4. Deposits and Investments**

The Township 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:

Demand deposits	2016
	\$699,816

*Deposits*

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

**5. 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.

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

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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**6. DEBT**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Middlefield Bank Ambulance Loan	\$27,882	3.00%

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

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

<u>Year Ended December 31,</u>	<u>Middelfield Bank Loan</u>
2017	\$19,126
2018	9,563
Total	<u><u>\$28,689</u></u>

**7. RETIREMENT SYSTEMS**

*Ohio Public Employees Retirement System*

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**8. POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**9. 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.

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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**9. RISK MANAGEMENT – (continued)**

OTARMA provides property and casualty coverage for its members. York Pooling Consultants, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the pool and provides underwriting, claims, loss control, risk management, and reinsurance services for the Pool.

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 the 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, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$38,473,283
Liabilities	<u>(8,244,140)</u>
Net Position	<u><u>\$30,229,143</u></u>

At December 31, 2016, the liabilities noted above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$9,000.

Based on discussions with OTARMA the expected rates charged by OTARMA 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>	
2016	\$19,030



**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligations 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 withdrawal.

**10 – CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the township 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.

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

---

**1. REPORTING ENTITY**

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***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

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**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

Gas Tax Fund – This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

***Basis of Accounting***

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These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

The Township'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.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

***Capital Assets***

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

***Fund Balance***

Fund balance is divided into five 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:

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

***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.

***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.

***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.

***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.

***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.

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$224,000	\$216,928	\$7,072
Special Revenue	520,156	542,604	(22,448)
Capital Project	193,183	0	193,183
Total	\$937,339	\$759,532	\$177,807

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$660,272	\$167,115	\$493,157
Special Revenue	744,413	443,423	300,990
Capital Project	50,850	0	50,850
Total	\$1,455,535	\$610,538	\$844,997

**4. Deposits and Investments**

The Township 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:

Demand deposits	2017
	\$848,801

***Deposits***

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

**5. 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.

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

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**6. DEBT**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Middlefield Bank Ambulance Loan	\$9,464	3.00%

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

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

<u>Year Ended December 31,</u>	<u>Middelfield Bank Loan</u>
2018	<u>9,563</u>
Total	<u><u>\$9,563</u></u>

**7. RETIREMENT SYSTEMS**

***Ohio Public Employees Retirement System***

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

**8. POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**9. 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.

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**9. RISK MANAGEMENT – (continued)**

OTARMA provides property and casualty coverage for its members. York Pooling Consultants, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the pool and provides underwriting, claims, loss control, risk management, and reinsurance services for the Pool.

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 the 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, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$40,010,732
Liabilities	<u>(8,675,465)</u>
Net Position	<u><u>\$31,335,267</u></u>

At December 31, 2017, the liabilities noted above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$8,000.

Based on discussions with OTARMA the expected rates charged by OTARMA 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>	
2017	\$19,030

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligations 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 withdrawal.

**10 – CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the township 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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CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Trustees:

We have audited, in accordance with the 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, the financial statements of the cash balances, receipts, and disbursements by fund type of Johnston Township, Trumbull County (the Township) as of and for the years ended December 31, 2016 and 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 29, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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 corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses, findings 2017-001 and 2017-002.

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 the deficiencies described in the accompany schedule of findings to be significant deficiencies. Finding 2017-003.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2017-001 and 2017-002.

### **Entity's Response to Findings**

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CANTER & ASSOCIATES**  
Poland, Ohio

June 29, 2018

**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2017**

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

**FINDING NUMBER 2017-001**

NONCOMPLIANCE AND MATERIAL WEAKNESS

**1. Transfer of Funds**

**Ohio Revised Code § 5705.14, 5705.15, and 5705.16** provide guidelines pertaining to allowable interfund transfers. In certain circumstances, which are detailed in Ohio Rev. Code § 5705.14, transfers from funds other than the General Fund may be made by resolution of the taxing authority, passed with a two-thirds affirmative vote. In addition to transfers from the General Fund and those permitted by Ohio Rev. Code § 5707.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Rev. Code § 5705.15.

During fiscal year 2016, the Township transferred \$19,127, from the Emergency Vehicle Fund to the Debt Service Fund to pay an ambulance bank loan. This transfer did not meet the criteria for proper transfers set forth in Ohio Rev. Code § 5705.14, 5705.15, and 5705.16. Also, as noted in Finding 20017-002, since the ambulance bank loan should have been paid from the Emergency Vehicle Fund, the Township improperly paid the ambulance bank loan from the Debt Service Fund. The Township's financial statements have been updated to eliminate this transfer and the Debt Service Fund.

The Township Board of Trustees should review transfers prior to approval to help ensure that they conform to the above Revised Code Sections.

**Official's Response:**

Management agrees and will correct going forward.

**FINDING NUMBER 2017-002**

NONCOMPLIANCE AND MATERIAL WEAKNESS

**2. Improper Debt Instrument**

**Ohio Revised Code § 133** allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities; Section 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies; Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivisions is authorized, to acquire, improve, or construct; and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

**FINDING NUMBER 2017-002 (continued)**

In 2013, the Township had entered into a promissory note with a local bank for the purchase of an ambulance. Due to the fact this debt is a simple bank loan, the note did not meet the requirements set forth in Ohio Revised Code Section 133.

In 2016, the Township improperly paid the ambulance bank loan from the Debt Service Fund, instead of paying it from the Emergency Vehicle Fund. Since the ambulance promissory note was not debt issued under the authority of Ohio Revised Code Section 133, the use of Debt Fund was not required. The Townships financial statements have been adjusted accordingly.

The Township should only incur debt in the manner allowed by the Ohio Revised Code Section 133 and should account for all debt properly.

**Official's Response:**

Management agrees and will only incur permitted debt in the future.

**FINDING NUMBER 2017-003**

**SIGNIFICANT DEFICIENCY**

**3. Accurate Record of Accounts and Transactions**

**Ohio Administrative Code Section 117-2-01** provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Internal control means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives for reliability of financial reporting;

The Township lacked procedures over the review of receipt and disbursement transactions which resulted in posting classification errors.

In 2016 and 2017, the Township posted \$16,942 and \$17,082, respectively from cable franchise fees as miscellaneous receipts in the General Fund instead of as license, permits and fees receipts as required by the Ohio Township Handbook. The financial statements have been adjusted to properly report this activity.

In addition, in 2016, the Township posted \$313,294, disbursed from the Fire Levy and Emergency Vehicle Services funds as general government disbursements instead of public safety as required by the Ohio Township Handbook. The financial statement have been adjusted to properly report this activity.

**FINDING NUMBER 2017-003 (continued)**

Contrary to GASB 54 fund balance definitions listed in the Bulletin 2011-004, at December 31, the Fiscal Officer misclassified certain fund balances as follows:

- A portion of the General Fund December 31, 2017 and 2016 balances were included as part of the subsequent year's appropriations and, therefore, misclassified as unassigned rather than as assigned. As a result, \$458,499 of the December 31, 2017 and \$426,414 of the December 31, 2016 General Fund balance was reclassified as assigned.

These material reclassifications, to which management agree, have been adjusted in the accompanying Township's financial statements.

**Official's Response:**

Management agrees and will correct going forward.

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**JOHNSTON TOWNSHIP  
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2015-001	Transfer of Funds	Partially	See Finding Number 2017-001
2015-002	Improper Debt Instrument	No	See Finding Number 2017-002
2015-003	Budget Amounts not Posted to Accounting System	Yes	
2015-004	Accurate Record of Accounts and Transactions	Partially	See Finding Number 2017-003

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# 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  
NOVEMBER 8, 2018**