

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**AUDIT REPORT**

**YEAR ENDED DECEMBER 31, 2005**

**Wolfe, Wilson, & Phillips, Inc.  
37 South Seventh Street  
Zanesville, Ohio 43701**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Johnstown  
599 South Main St.  
Johnstown, OH 43031

We have reviewed the *Independent Auditors' Report* of the Village of Johnstown, Licking County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2005 to December 31, 2005. 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. The Village of Johnstown is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 17, 2007

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**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

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**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Village of Johnstown  
Licking County  
599 South Main Street  
Johnstown, Ohio 43031

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Johnstown, Licking County as of and for the year ended December 31, 2005, which collectively comprised the Village's basic financial statements. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the Village has prepared these financial statements and notes using the modified cash basis of accounting. This is a comprehensive accounting basis 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 respective financial position-cash basis of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Village of Johnstown, Licking County, as of December 31, 2005, and the respective changes in financial position-cash basis and the respective budgetary comparison for the General Fund and Chambers Fund, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 9, 2007, on our consideration of the Village of Johnstown's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
March 9, 2007

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

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The management's discussion and analysis of the Village of Johnstown's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitation of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

***Financial Highlights***

Key financial highlights for 2005 are as follows:

- The total net assets of the Village increased \$1,251,185. Net assets of governmental activities increased \$1,796,367 or 134.93 % from 2004 and net assets of business-type activities decreased \$545,182 or 17.79% from 2004.
- General cash receipts accounted for \$3,533,727 or 79.47% of total governmental activities cash receipts. Program specific cash receipts accounted for \$913,160 or 20.53% of total governmental activities cash receipts. Total governmental activities cash receipts for 2005 were \$4,446,887.
- The Village had \$2,650,520 in cash disbursements related to governmental activities; \$913,160 of these cash disbursements were offset by program specific charges for services, grants or contributions. The remaining cash disbursements of the governmental activities of \$1,737,360 were offset by general cash receipts (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$3,533,727.
- The Village's major governmental funds are the General fund, the Special Revenue Chambers fund, and the Village Capital Projects fund. The general fund had cash receipts and other financing sources of \$3,715,034 and cash disbursements and other financing uses of \$3,379,957. The net increase in fund balance for the general fund was \$335,077 or 62.32%.
- The Chambers fund had cash receipts and other financing sources of \$1,473,002. The Chambers fund had transfers in from the general fund of \$1,452,831 which accounted for a significant portion of cash receipts. The net increase in fund balance was \$1,473,002 or 332.70%.
- The Village Capital Projects fund had cash receipts and other financing sources of \$804,924 and cash disbursements of \$846,158. The Village Capital Projects fund had transfers in from the general fund of \$461,894 which accounted for a significant portion of cash receipts. The net decrease in fund balance was \$41,234 or 32%.
- The Water Fund had cash receipts \$3,970,003 and cash disbursements of \$4,099,068 in 2005. The net decrease in fund balance was \$129,065 or 9.93%.
- The Sewer Fund had cash receipts of \$875,292 and cash disbursements of \$1,291,049 in 2005. The net decrease in fund balance was \$416,117 or 23.58%.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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***Using the Basic Financial Statements (BFS)***

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Village's cash basis of accounting.

The Statement of Net Assets – Modified Cash Basis and Statement of Activities- Modified Cash Basis provide information about the activities of the Village as a whole, presenting both an aggregate view of the Village's cash-basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Village's most significant funds with all other nonmajor funds presented in total in one column.

Since the Village uses the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded on these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

***Reporting the Village as a Whole***

***Statement of Net Assets and the Statement of Activities***

A general question typically asked about the Village's finances is "How did we do financially during 2005?" The Statement of Net Assets-Modified Cash Basis and the Statement of Activities-Modified Cash Basis answers this question. These statements include only net assets using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's cash receipts and cash disbursements if the cash is actually received or paid.

These two statements report the Village's net assets and changes in those assets on a modified cash basis. This change in net assets is important because it tells the reader that, for the Village as a whole, the financial position of the Village has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Village's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the Statement of Net Assets-Modified Cash Basis and the Statement of Activities-Modified Cash Basis, the Village is divided into two distinct kinds of activities:

Governmental activities - The Village's programs and services are reported here including police, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.



**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
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Business-Type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The Village's water and sewer operations are reported here.

***Reporting the Village's Most Significant Funds***

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village uses many funds to account for financial transactions and has segregated these funds into major and nonmajor funds. Information for major funds is presented separately in the governmental fund financial statements while all other governmental funds are combined into a single, aggregated presentation. The Village's major governmental funds are the General, Special Revenue Chambers fund and the Village Capital Projects fund.

*Governmental Funds*

The governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. For the Village, these funds are reported using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Since the Village is reporting on the modified cash basis of accounting, there are no differences between net assets and fund balances or changes in net assets and changes in fund balances. Therefore, no such reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross cash receipts and cash disbursements on the Fund Financial Statements to the Statement of Activities – Modified Cash Basis, which is attributed to transfers between governmental and proprietary funds being eliminated for reporting in the Statement of Activities – Modified Cash Basis.

The Village's budgetary process accounts for certain transactions on the cash basis. The budgetary statements for the General fund and Chambers fund are presented to demonstrate the Village's compliance with annually adopted budgets. Differences arising between the changes in fund balances presented on the fund financial statements and fund balances on the budgetary statements are attributed to outstanding encumbrances at year end.

*Proprietary Funds*

The Village maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water and sewer functions. The Village's major enterprise funds are the water and sewer funds.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
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*Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. The Village's only fiduciary fund is an agency fund which is used to account for the Village's Mayor's court and bid bond deposits. Only the cash held at year end for agency funds is presented.

*The Village of Johnstown as a Whole*

Recall that the Statement of Net Assets – Modified Cash Basis provides the perspective of the Village as a whole.

The table below provides a summary of the Village's net assets for 2005. Since this is the first year the Village has elected to present its cash basis financial statements in a format similar to the requirements of GASB Statement No. 34, comparative statements to 2004 have not been presented. However, a comparison will be presented for future years:

	Net Assets		
	Governmental Activities 2005	Business-type Activities 2005	2005 Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,127,730	\$ 2,519,916	\$ 5,647,646
Total assets	<u>\$ 3,127,730</u>	<u>\$ 2,519,916</u>	<u>\$ 5,647,646</u>
<u>Net Assets</u>			
Restricted	2,254,996	-	2,254,996
Unrestricted	<u>872,734</u>	<u>2,519,916</u>	<u>3,392,650</u>
Total net assets	<u>\$ 3,127,730</u>	<u>\$ 2,519,916</u>	<u>\$ 5,647,646</u>

The total net assets of the Village increased \$1,251,185. Net assets of governmental activities increased \$1,796,367 or 134.93 % from 2004 and net assets of business-type activities decreased \$545,182 or 17.79% from 2004.

The table below provides a summary of changes in the Village's net assets for 2005. Since this is the first year the Village has elected to present its cash basis financial statements in a format similar to the requirements of GASB Statement No. 34, comparative statements to 2004 have not been presented. However, a comparison will be presented for future years:

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

	Change in Net Assets		
	Governmental	Business-type	2005
	Activities	Activities	
	<u>2005</u>	<u>2005</u>	<u>Total</u>
<b>Cash receipts</b>			
Program cash receipts:			
Charges for services	\$ 235,626	\$ 1,694,857	\$ 1,930,483
Operating grants and contributions	334,504	-	334,504
Capital grants and contributions	<u>343,030</u>	<u>300,000</u>	<u>643,030</u>
Total program cash receipts	<u>913,160</u>	<u>1,994,857</u>	<u>2,908,017</u>
General cash receipts:			
Property taxes	183,675	-	183,675
Income taxes	1,056,275	-	1,056,275
Unrestricted grants and entitlements	2,094,293	-	2,094,293
Investment earnings	122,013	-	122,013
Proceeds of Loan	-	2,830,404	2,830,404
Miscellaneous	<u>77,471</u>	<u>20,034</u>	<u>97,505</u>
Total general cash receipts	<u>3,533,727</u>	<u>2,850,438</u>	<u>6,384,165</u>
Cash cash disbursements:			
General government	461,999	-	461,999
Security of persons and property	818,099	-	818,099
Public health services	10,999	-	10,999
Transportation	200,589	-	200,589
Community environment	150,234	-	150,234
Leisure time activity	52,697	-	52,697
Capital outlay	821,240	-	821,240
Debt service:			
Principal retirement	105,000	-	105,000
Interest and fiscal charges	29,663	-	29,663
Water	-	4,099,068	4,099,068
Sewer	<u>-</u>	<u>1,291,409</u>	<u>1,291,409</u>
Total cash disbursements	<u>2,650,520</u>	<u>5,390,477</u>	<u>8,040,997</u>
Change in net cash assets	1,796,367	(545,182)	1,251,185
Net cash assets at beginning of year	<u>1,331,363</u>	<u>3,065,098</u>	<u>4,396,461</u>
Net cash assets at end of year	<u>\$ 3,127,730</u>	<u>\$ 2,519,916</u>	<u>\$ 5,647,646</u>

Governmental activities net assets increased \$1,796,367 in 2005.

Security of persons and property, which primarily supports the operations of the police department, accounted for \$818,099 of the total cash disbursements of the Village. Capital outlay cash disbursements totaled \$821,240 of the total cash disbursements and were partially funded by \$452,776 in operating and capital grants and contributions.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

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General cash receipts totaled \$3,533,727 and amounted to 79.47% of total cash receipts. General cash receipts consist of property and income tax receipts of \$1,239,950. The other primary source of general cash receipts is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$2,094,293.

The Statement of Activities-Modified Cash Basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the Village is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities. In future years, when prior year information has been provided, a comparative analysis of governmental data will be presented.

**Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements**

	<b>Governmental Activities</b>	
	Total Cost of Services 2005	Net Cost of Services 2005
	<u>2005</u>	<u>2005</u>
<b>Program Cash Disbursements:</b>		
General government	\$ 461,999	\$ 227,102
Security of persons and property	818,099	772,185
Public health services	10,999	10,999
Transportation	200,589	21,016
Community environment	150,234	150,234
Capital outlay	821,240	368,464
Leisure time activity	52,697	52,697
<b>Debt service:</b>		
Principal retirement	105,000	105,000
Interest and fiscal charges	<u>29,663</u>	<u>29,663</u>
<b>Total</b>	<u>\$ 2,650,520</u>	<u>\$ 1,737,360</u>

The dependence upon general cash receipts for governmental activities is apparent, with 75% of cash disbursements supported through taxes and other general revenues.

***Business-Type Activities***

Business-Type activities include the water and funds. These major funds had program cash receipts of \$1,994,857, general cash receipts of \$2,850,438 and cash disbursements of \$5,390,477 for 2005.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

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***Financial Analysis of the Government's Funds***

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

*Governmental Funds*

The Village's governmental funds are accounted for using the modified cash basis of accounting.

The Village's governmental funds reported a combined fund cash balance of \$3,127,730, which is \$1,796,367 higher than last year's combined total of \$1,331,363. The schedule below indicates the fund cash balance and the total change in fund cash balances as of December 31, 2005 and December 31, 2004, for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/05</u>	Fund Balances <u>12/31/04</u>	<u>(Decrease)</u>
Major funds:			
General	\$ 872,734	\$ 537,657	\$ 335,077
Chambers Fund	1,915,713	442,711	1,473,002
Village Capital Projects	87,650	128,884	(41,234)
Other nonmajor governmental funds	<u>251,633</u>	<u>222,111</u>	<u>29,522</u>
Total	<u>\$ 3,127,730</u>	<u>\$ 1,331,363</u>	<u>\$ 1,796,367</u>

***Budgeting Highlights - General Fund***

The Village's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the Village's appropriations which are restricted by the amounts of anticipated revenues certified by the County Budget Commission in accordance with the ORC. Therefore, the Village's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the General and Chambers funds. In the general fund, the actual cash receipts and other financing sources came in \$44,255 higher than they were in the final budget and actual cash disbursements and other financing uses were \$606,191 less than the amount in the final budget. Budgeted cash receipts increased \$2,075,311 from the original to the final budget. Budgeted cash disbursements increased \$1,987,296 from the original to the final budget due primarily to an increase in transfers out.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
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***Capital Assets and Debt Administration***

*Capital Assets*

The Village does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as cash disbursements. The Village had capital outlay cash disbursements of \$821,240 in governmental funds and \$4,239,197 in enterprise funds during 2005.

*Debt Administration*

The Village had the following long-term obligations outstanding at December 31, 2005 and 2004:

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 940,000	\$ 1,045,000
Total long-term obligations	<u>\$ 940,000</u>	<u>\$ 1,045,000</u>
	<u>Business-Type Activities</u>	
	<u>2005</u>	<u>2004</u>
OPWC loans	\$ 857,791	\$ 818,459
OWDA loans	5,440,490	2,716,519
Mortgage revenue bonds	<u>2,070,000</u>	<u>2,190,000</u>
Total long-term obligations	<u>\$ 8,368,281</u>	<u>\$ 5,724,978</u>

See Note 13 to the basic financial statements for more detail on the Village's long-term debt obligations.

**Economic Conditions and Outlook**

Johnstown is located in the Northwest corner of Licking County. Two State Routes, (37 and 62) run through the center of the Village, and we are less than 15 miles from I-270. Our population is estimated to be around 4200 residents. We are primarily a bedroom community for Columbus, New Albany, and Westerville. Johnstown is 26 miles away from downtown Columbus, Capital of The State of Ohio. Our Industrial Park is located within the Village limits. The Park is expanding and currently employs approximately 550 workers. The Village continues to attract businesses by Tax Increment Financing, Enterprise Zone Agreements, and Economic Incentives given by the Village Council.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
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With a 3% average increase of residents, our community has expanded our boundaries several times since the 2000 Census. Recognizing our growth impact on our School systems we have implemented all new developments with Tax Increment Financing. This will not only help protect the financial future of the schools, but the Village infrastructure as well. The Village has been actively pursuing state and federal grants for a variety of programs to better the residential areas and downtown businesses.

In 1995, the Village completed the construction of a new Water Plant with the capacity of 1.25 MGD. Currently we are averaging 400,000 MGD. The Water facility also upgraded the Water Tower in 2001. In 2005, the Village started the construction of a new Sewer Plant with the capacity of 1.2 MGD, to be completed in early 2006. Today's average for the Sewer Plant is 425,000 MGD. With future growth and available expansions if needed at both Plants, the Village of Johnstown has successfully made our Utility system reliable for our current citizens and those to come. With no major projects in the foreseeable future, Utility Bills are becoming more stable, with no major increases needed.

The Village of Johnstown has seen positive economic changes. Income Tax collections in 2005 rose to over a million dollars for the first time in our history. The unemployment rate for Licking County is 5.1%, compared to the 5.9% state average in November 2005. The economy in Ohio has slowed down, causing the State funding to decrease for local governments. Despite the lack of funding, Johnstown has either maintained or increased revenue collections.

Johnstown will continue conservative budgetary practices in order to preserve a positive investment portfolio and a sound financial position for future years. Cooperation by employees of the Village, residents, and businesses will prove that great opportunities are in store for economic and financial progress. Johnstown will continue to escalate and prosper through out the coming years.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Sandra Berry, Finance Director, Village of Johnstown, 599 South Main Street, Johnstown, Ohio 43031.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2005

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 3,127,730	\$ 2,519,916	\$ 5,647,646
<i>Total Assets</i>	<u>\$ 3,127,730</u>	<u>\$ 2,519,916</u>	<u>\$ 5,647,646</u>
 <b>Net Assets</b>			
Restricted for:			
Community Projects	\$ 1,915,713	\$ -	\$ 1,915,713
Capital Projects	87,650	-	87,650
Other Purposes	251,633	-	251,633
Unrestricted	<u>872,734</u>	<u>2,519,916</u>	<u>3,392,650</u>
<i>Total Net Assets</i>	<u>\$ 3,127,730</u>	<u>\$ 2,519,916</u>	<u>\$ 5,647,646</u>

See accompanying notes to the basic financial statements



**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 461,999	\$ 234,897	\$ -	\$ -	\$ (227,102)	\$ -	\$ (227,102)
Security of Persons and Property	818,099	729	45,185	-	(772,185)	-	(772,185)
Public Health Services	10,999	-	-	-	(10,999)	-	(10,999)
Leisure Time Activities	52,697	-	-	-	(52,697)	-	(52,697)
Community Environmen	150,234	-	-	-	(150,234)	-	(150,234)
Transportation	200,589	-	179,573	-	(21,016)	-	(21,016)
Capital Outlay	821,240	-	109,746	343,030	(368,464)	-	(368,464)
Debt Service:							
Principal Retirement	105,000	-	-	-	(105,000)	-	(105,000)
Interest and Fiscal Charges	29,663	-	-	-	(29,663)	-	(29,663)
<i>Total Governmental Activities</i>	<u>2,650,520</u>	<u>235,626</u>	<u>334,504</u>	<u>343,030</u>	<u>(1,737,360)</u>	<u>-</u>	<u>(1,737,360)</u>
<b>Business Type Activity</b>							
Water	4,099,068	927,774	-	300,000	-	(2,871,294)	(2,871,294)
Sewer	1,291,409	767,083	-	-	-	(524,326)	(524,326)
<i>Total Business Type Activities</i>	<u>5,390,477</u>	<u>1,694,857</u>	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>(3,395,620)</u>	<u>(3,395,620)</u>
<b>Total</b>	<u>\$ 8,040,997</u>	<u>\$ 1,930,483</u>	<u>\$ 334,504</u>	<u>\$ 643,030</u>	<u>(1,737,360)</u>	<u>(3,395,620)</u>	<u>(5,132,980)</u>
<b>General Cash Receipts:</b>							
Property Taxes Levied for:							
General Purposes					183,675	-	183,675
Municipal Income Taxes					1,056,275	-	1,056,275
Grants and Entitlements not Restricted to Specific Program					2,094,293	-	2,094,293
Proceeds of Loan					-	2,830,404	2,830,404
Notes Issued					-	-	-
Premium on Debt Issue					-	-	-
Sale of Capital Assets					-	-	-
Interest					122,013	-	122,013
Miscellaneous					77,471	20,034	97,505
<i>Total General Receipts</i>					<u>3,533,727</u>	<u>2,850,438</u>	<u>6,384,165</u>
Change in Net Assets					1,796,367	(545,182)	1,251,185
<i>Net Assets Beginning of Year</i>					<u>1,331,363</u>	<u>3,065,098</u>	<u>4,396,461</u>
<i>Net Assets End of Year</i>					<u>\$ 3,127,730</u>	<u>\$ 2,519,916</u>	<u>\$ 5,647,646</u>

See accompanying notes to the basic financial statements

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005

	General	Chambers Fund	Village Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Investments	\$ 872,734	\$ 1,915,713	\$ 87,650	\$ 251,633	\$ 3,127,730
<i>Total Assets</i>	<u>\$ 872,734</u>	<u>\$ 1,915,713</u>	<u>\$ 87,650</u>	<u>\$ 251,633</u>	<u>\$ 3,127,730</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$ 53,903	\$ -	\$ 18,953	\$ -	\$ 72,856
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	818,831	-	-	-	818,831
Special Revenue Funds	-	1,915,713	-	251,633	2,167,346
Capital Projects Funds	-	-	68,697	-	68,697
<i>Total Fund Balances</i>	<u>\$ 872,734</u>	<u>\$ 1,915,713</u>	<u>\$ 87,650</u>	<u>\$ 251,633</u>	<u>\$ 3,127,730</u>

See accompanying notes to the basic financial statements

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
MODIFIED CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Chambers Fund	Village Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts:</b>					
Municipal Income Taxes	\$ 1,056,275	\$ -	\$ -	\$ -	\$ 1,056,275
Property and Other Local Taxes	183,675	-	-	-	183,675
Charges for Services	9,457	-	-	-	9,457
Fines, Licenses and Permits	212,275	-	-	13,893	226,168
Intergovernmental	2,094,293	-	343,030	334,504	2,771,827
Interest	97,259	20,171	-	4,583	122,013
Miscellaneous	53,806	-	-	15,671	69,477
<i>Total Cash Receipts</i>	<u>3,707,040</u>	<u>20,171</u>	<u>343,030</u>	<u>368,651</u>	<u>4,438,892</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	398,599	-	-	3,812	402,411
Security of Persons and Property	796,087	-	-	22,012	818,099
Public Health Services	10,999	-	-	-	10,999
Leisure Time Activities	52,697	-	-	-	52,697
Community Environment	120,190	-	-	30,044	150,234
Transportation	27,073	-	-	173,516	200,589
Capital Outlay	-	-	711,495	109,745	821,240
Debt Service:					
Principal Retirement	-	-	105,000	-	105,000
Interest and Fiscal Charges	-	-	29,663	-	29,663
<i>Total Cash Disbursements</i>	<u>1,405,645</u>	<u>-</u>	<u>846,158</u>	<u>339,129</u>	<u>2,590,932</u>
<i>Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements</i>	<u>2,301,395</u>	<u>20,171</u>	<u>(503,128)</u>	<u>29,522</u>	<u>1,847,960</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	1,452,831	461,894	-	1,914,725
Transfers Out	(1,914,725)	-	-	-	(1,914,725)
Other Financing Sources	7,994	-	-	-	7,994
Other Financing Uses	(59,587)	-	-	-	(59,587)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,966,318)</u>	<u>1,452,831</u>	<u>461,894</u>	<u>-</u>	<u>(51,593)</u>
<i>Net Change in Fund Balances</i>	335,077	1,473,002	(41,234)	29,522	1,796,367
<i>Fund Balances Beginning of Year</i>	<u>537,657</u>	<u>442,711</u>	<u>128,884</u>	<u>222,111</u>	<u>1,331,363</u>
<i>Fund Balances End of Year</i>	<u>\$ 872,734</u>	<u>\$ 1,915,713</u>	<u>\$ 87,650</u>	<u>\$ 251,633</u>	<u>\$ 3,127,730</u>

See accompanying notes to the basic financial statements

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Cash Basis Receipts:</b>				
Municipal Income Taxes	\$ 454,609	\$ 875,000	\$ 1,056,275	\$ 181,275
Property and Other Local Taxes	79,052	161,084	183,675	22,591
Charges for Services	4,070	-	9,457	9,457
Fines, Licenses and Permits	91,361	329,250	212,275	(116,975)
Intergovernmental	901,360	2,211,200	2,094,293	(116,907)
Interest	41,859	50,116	97,259	47,143
Miscellaneous	23,157	43,434	53,806	10,372
<i>Total Cash Receipts</i>	<u>1,595,468</u>	<u>3,670,084</u>	<u>3,707,040</u>	<u>36,956</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	428,499	475,619	398,599	77,020
Security of Persons and Property	849,637	857,475	796,087	61,388
Public Health Services	11,000	47,017	10,999	36,018
Leisure Time Activities	64,991	52,697	52,697	-
Community Environment	160,630	120,190	120,190	-
Transportation	27,937	27,073	27,073	-
Capital Outlay	-	30,000	-	30,000
<i>Total Cash Disbursements</i>	<u>1,542,694</u>	<u>1,610,071</u>	<u>1,405,645</u>	<u>204,426</u>
<i>Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements</i>	<u>52,774</u>	<u>2,060,013</u>	<u>2,301,395</u>	<u>241,382</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(350,000)	(2,291,037)	(1,914,725)	376,312
Other Financing Sources	-	695	7,994	7,299
Other Financing Uses	(160,061)	(138,943)	(113,490)	25,453
<i>Total Other Financing Sources (Uses)</i>	<u>(510,061)</u>	<u>(2,429,285)</u>	<u>(2,020,221)</u>	<u>409,064</u>
<i>Net Change in Fund Balance</i>	(457,287)	(369,272)	281,174	650,446
<i>Fund Balance at Beginning of Year</i>	525,863	525,863	525,863	-
Prior Year Encumbrances Appropriated	11,794	11,794	11,794	-
<i>Fund Balance at End of Year</i>	<u>\$ 80,370</u>	<u>\$ 168,385</u>	<u>\$ 818,831</u>	<u>\$ 650,446</u>

See accompanying notes to the basic financial statements

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
CHAMBERS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Cash Receipts:</b>				
Interest	\$ 2,100	\$ 2,100	\$ 20,171	\$ 18,071
<i>Total Cash Receipts</i>	<u>2,100</u>	<u>2,100</u>	<u>20,171</u>	<u>18,071</u>
<b>Cash Disbursements:</b>				
Capital Outlay	441,000	444,100	-	444,100
<i>Total Cash Disbursements</i>	<u>441,000</u>	<u>444,100</u>	<u>-</u>	<u>444,100</u>
<i>Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(438,900)</u>	<u>(442,000)</u>	<u>20,171</u>	<u>462,171</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	1,452,831	1,452,831
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>1,452,831</u>	<u>1,452,831</u>
<i>Net Change in Fund Balance</i>	(438,900)	(442,000)	1,473,002	1,915,002
<i>Fund Balance at Beginning of Year</i>	441,458	441,458	441,458	-
Prior Year Encumbrances Appropriated	<u>1,253</u>	<u>1,253</u>	<u>1,253</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 3,811</u>	<u>\$ 711</u>	<u>\$1,915,713</u>	<u>\$1,915,002</u>

See accompanying notes to the basic financial statements

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS  
ENTERPRISE FUNDS  
DECEMBER 31, 2005

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Enterprise Funds</u>
<b>Assets:</b>			
Equity in Pooled Cash and Investments	<u>\$ 1,171,187</u>	<u>\$ 1,348,729</u>	<u>\$ 2,519,916</u>
<i>Total Assets</i>	<u><u>\$ 1,171,187</u></u>	<u><u>\$ 1,348,729</u></u>	<u><u>\$ 2,519,916</u></u>
<b>Net Assets:</b>			
Unrestricted	<u>\$ 1,171,187</u>	<u>\$ 1,348,729</u>	<u>\$ 2,519,916</u>
<i>Total Net Assets</i>	<u><u>\$ 1,171,187</u></u>	<u><u>\$ 1,348,729</u></u>	<u><u>\$ 2,519,916</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total Enterprise Funds
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 927,774	\$ 767,083	\$ 1,694,857
<i>Total Operating Cash Receipts</i>	<u>927,774</u>	<u>767,083</u>	<u>1,694,857</u>
<b>Operating Disbursements:</b>			
Personal Services	193,586	167,497	361,083
Fringe Benefits	76,168	52,102	128,270
Contractual Services	59,539	84,070	143,609
Materials and Supplies	104,474	43,470	147,944
Other	26,440	2,747	29,187
<i>Total Operating Cash Disbursements</i>	<u>460,207</u>	<u>349,886</u>	<u>810,093</u>
<i>Operating Income</i>	<u>467,567</u>	<u>417,197</u>	<u>884,764</u>
<b>Non-Operating Cash Receipts (Cash Disbursements):</b>			
Intergovernmental	300,000	-	300,000
Proceeds of Loan	2,730,404	100,000	2,830,404
Proceeds from Sale of Assets	2,061	-	2,061
Miscellaneous	9,674	2,459	12,133
Debt Service:			
Principal	(165,930)	(21,171)	(187,101)
Interest	(143,156)	-	(143,156)
Capital Outlay	(3,323,780)	(915,417)	(4,239,197)
Other Financing Sources	90	5,750	5,840
Other Financing Uses	(5,995)	(4,935)	(10,930)
<i>Total Non-Operating Cash Receipts (Cash Disbursements)</i>	<u>(596,632)</u>	<u>(833,314)</u>	<u>(1,429,946)</u>
<i>Change in Net Assets</i>	(129,065)	(416,117)	(545,182)
<i>Net Assets at Beginning of Year</i>	<u>1,300,252</u>	<u>1,764,846</u>	<u>3,065,098</u>
<i>Net Assets at End of Year</i>	<u>\$ 1,171,187</u>	<u>\$ 1,348,729</u>	<u>\$ 2,519,916</u>

See accompanying notes to the basic financial statements

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUND  
DECEMBER 31, 2005

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Investments	<u>\$ 13,373</u>
<i>Total Assets</i>	<u><u>\$ 13,373</u></u>
<b>Net Assets:</b>	
Unrestricted	<u>\$ 13,373</u>
Total Net Assets	<u><u>\$ 13,373</u></u>

See accompanying notes to the basic financial statements



**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Note 1 – Reporting Entity**

The Village of Johnstown, Licking County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a seven-member Council.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village does not have any component units.

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

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**B. Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Assets – Modified Cash Basis and the Statement of Activities – Modified Cash Basis display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets – Modified Cash Basis presents the cash balance of the governmental and business-type activities of the Village at year end. The Statement of Activities – Modified Cash Basis compares cash disbursements with program cash receipts for each of the Village's governmental and business-type activities. Cash disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash receipts are all receipts not classified as program cash receipts, with certain limited exceptions. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general cash receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds.

Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type. Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating cash receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating cash disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting**

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental cash receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General fund, Special Revenue Chambers fund, and the Village Capital Projects fund.

**General** - The General fund is used to account for all financial resources, except those required to be accounted for in another fund. The General fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Chambers fund** - The Chambers fund receives interest and transfers in to account for future community projects and interests.

**Village Capital Projects** - The Village Capital Projects fund receives intergovernmental cash receipts and transfers in to account for Village improvements and retire outstanding debt.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

**Water Fund** - The Water fund accounts for the provision of water to the residents and commercial users located within the Village.

**Sewer Fund** - The Sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village has the following significant agency fund:

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

*Mayor's Court Fund* – This fund receives money from citations issued by the Village's Police department. Money collected is distributed in accordance with the Ohio Revised Code to the Village and State of Ohio.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Investments".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. 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 negative receipts (contra revenue), respectively.

During 2005, the Village invested in U.S. Agency Securities, repurchase agreements, and STAR Ohio. The repurchase agreements and the U.S. Treasury Bills are reported at cost.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$97,259.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village did not report any restricted assets at December 31, 2005.

**G. Inventory and Prepaid Items**

The Village reports cash disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Village did not advance monies between funds during the year ended December 31, 2005.

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the cash disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**L. Long-Term Obligations**

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for transportation or for security of persons and property.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves/Fund Designations**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. No monies were designated by the Village during 2005. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**O. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general cash receipts.

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating cash receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Village had no extraordinary or special items during 2005.

**VILLAGE OF JOHNSTOWN  
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**Note 3 – Change in Basis of Accounting**

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Change in Accounting Principle**

In March of 2003 GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3). This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principle areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that included investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The implementation of this GASB had no impact on the financial position of the Village at December 31, 2005.

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund the Chambers Special Revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$53,903 for the General fund. There were no outstanding encumbrances within the Chambers Fund at December 31, 2005.

**Note 6 – Deposits and Investments**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Village Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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**Note 6 – Deposits and Investments (Continued)**

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

In addition, authorized investments may include investments in commercial paper and bankers acceptances with appropriate limitations if ORC training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Village's carrying amount was \$41,416 and the Village's bank balance of \$90,491 was insured by the Federal Deposit Insurance Corporation (FDIC).



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 6 – Deposits and Investments (Continued)**

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the Village had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$4,152,886	Average
Repurchase Agreements	836,214	Average
Fannie Mae	200,503	January 2006
Fannie Mae	100,000	July 2006
FHLMC Notes	100,000	July 2006
FHLMC Notes	230,000	September 2006
Total Portfolio	<u>\$5,619,603</u>	

**Interest Rate Risk** - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**Credit Risk** - STAR Ohio carries a rating of AAA by Standard and Poor's and the U.S. Government Securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The repurchase agreement is unrated.

**Concentration of Credit Risk** - The Village has established an investment policy dealing with concentration of credit risk beyond the requirements in state statutes. In addition to state statutes, the Village's investment policy requires no more than fifty percent of the Village's public monies be invested in repurchase agreements with any one eligible depository, nor more than twenty-five percent of the Village's public monies shall be invested in repurchase agreements with any one qualified securities dealer, and no more than twenty-five percent shall be invested in the Ohio Subdivision Fund pursuant to Ohio Revised Code Section 135.45.

**VILLAGE OF JOHNSTOWN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 6 – Deposits and Investments (Continued)**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Agency Securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Reconciliation of Cash and its Investment to the Statement of Net Assets**

The following is a reconciliation of cash and its investment to the Statement of Net Assets at December 31, 2005:

Investment (summarized above)	\$ 5,619,603
Carrying amount of the Village's deposits	41,416
Cash and cash equivalents – Statement of Fiduciary	
Net Assets	<u>(13,373)</u>
Cash and cash equivalents – Statement of Net Assets	<u>\$ 5,647,646</u>

**Note 7 – Income Taxes**

The Village levies a 1 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**Note 8 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**VILLAGE OF JOHNSTOWN  
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**Note 8 – Property Taxes (Continued)**

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was \$2.30 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$65,779,920
Agriculture	1,707,970
Commercial/Industrial/Mineral	15,875,420
Public Utility Property	
Personal	2,221,450
Tangible Personal Property	6,272,810
Total Assessed Value	<u>\$91,857,570</u>

**Note 9 – Interfund Transfers**

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Chambers Fund	\$1,452,831
Village Capital Projects Fund	461,894
Total Transfers from the General Fund	<u>\$1,914,725</u>

Interfund transfers are used to (1) allocate revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) allocate cash receipts restricted for debt service from the funds collecting the cash receipts to the debt service fund as debt service payments become due, and (3) use unrestricted cash receipts collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**VILLAGE OF JOHNSTOWN  
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**Note 10 – Risk Management**

The Village is exposed to various risks of loss related to torts, theft, or damage/destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2005, the Village contracted with private carriers for property and fleet insurance, general liability insurance, and various other coverage. Coverage provided during the fiscal year is as follows:

Workers Compensation and Employer’s Liability - \$1,000,000  
Automobile Liability - \$1,000,000  
Builder’s Risk - \$10,000,000  
General Liability - \$1,000,000  
Umbrella Coverage - \$7,000,000

There have been no significant reductions in insurance coverages during the fiscal year 2005. Settled claims have not exceeded commercial excess coverages in any of the past three years.

**Note 11 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village’s contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village’s pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**VILLAGE OF JOHNSTOWN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 11 – Defined Benefit Pension Plans (Continued)**

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$108,243, \$92,933, and \$84,317, respectively. The full amount has been contributed for 2005, 2004 and 2003.

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2005, 2004, and 2003 were \$78,423, \$12,655, and \$17,833. The full amount has been contributed for 2005, 2004 and 2003.

**Note 12 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12 "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers"*.

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005 (the latest information available), include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next eight years and 4.00 percent annually after ten years.

**VILLAGE OF JOHNSTOWN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 12 - Postemployment Benefits (Continued)**

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12 "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers"*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund postemployment benefits were \$6,078 for police. The OP&F's total health care expense for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 13 – Debt**

The Village’s long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Restated Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
Municipal Building General Obligation Bonds	6%	\$1,045,000	\$0	\$(105,000)	\$940,000	\$110,000
Total Governmental Activities		1,045,000	0	(105,000)	940,000	110,000
<u>Business-type Activities</u>						
1994 Ohio Public Works Loan	0%	\$ 105,589	\$ 0	\$(10,559)	\$95,030	\$ 10,559
1995 Ohio Public Works Loan	0%	243,461	0	(21,171)	222,290	21,171
1997 Water Mortgage Revenue Bonds	5.35%	2,190,000	0	(120,000)	\$2,070,000	125,000
1997 Ohio Public Works Loan	0%	154,409	0	(11,438)	142,971	11,438
2001 Ohio Public Works Loan	0%	315,000	0	(17,500)	297,500	17,500
2005 Ohio Public Works Loan	0%	0	100,000	0	100,000	5,000
2002 Ohio Water Development Authority Loan	4.64%	357,988	0	(6,433)	351,555	6,735
2004 Ohio Water Development Authority WPCLF Loan	2.22%	2,358,531	2,730,404	0	5,088,935	0
Total Business-type Activities		5,724,978	2,830,404	(187,101)	8,368,281	197,403
Total Long-Term Debt		<u>\$6,769,978</u>	<u>\$2,830,404</u>	<u>\$(292,101)</u>	<u>\$9,308,281</u>	<u>\$307,403</u>

The balances at December 31, 2004 have been restated based on finalization of financing terms for the Village’s debt.

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

**VILLAGE OF JOHNSTOWN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 13 – Debt (Continued)**

The Ohio Water Development Authority (OWDA) loan relates to the design, planning, and construction of a new water storage tank. In 2004 an additional loan was entered into for the purpose of improvements to the wastewater treatment plant. Funds have been approved in the amount of \$5,593,700 and the amount disbursed as of December 31, 2005 was \$5,088,935. Once OWDA finalizes repayment terms an amortization schedule will be provided for the repayment of this outstanding debt.

The Mortgage Revenue Bonds were obtained for the purpose of paying for improvements to the Village’s water supply and waterworks system. Council authorized \$2,875,000 in bonds for the completion of this project.

The following is a summary of the Village’s future annual debt service requirements:

Year	Municipal Bonds		OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$110,000	\$ 27,563	\$ 6,735	\$ 16,235	\$ 65,667	\$0
2007	110,000	25,363	7,050	15,919	65,667	0
2008	110,000	22,888	7,381	15,588	65,667	0
2009	115,000	20,083	7,728	15,242	65,667	0
2010	120,000	16,863	8,090	14,879	65,667	0
2011 – 2015	375,000	27,131	46,518	14,500	317,776	0
2016 – 2020	0	0	58,509	56,338	151,680	0
2021 – 2025	0	0	73,591	41,255	60,000	0
2026 – 2030	0	0	92,562	22,285	0	0
2031 – 2035	0	0	43,391	2,545	0	0
<b>Totals</b>	<b>\$940,000</b>	<b>\$139,891</b>	<b>\$351,555</b>	<b>\$214,786</b>	<b>\$748,485</b>	<b>\$0</b>

  

Year	Mortgage Revenue Bonds		Total Principal and Interest	
	Principal	Interest	Principal	Interest
2006	\$125,000	\$121,525	\$307,402	\$165,323
2007	130,000	114,775	312,717	156,597
2008	140,000	107,690	323,048	146,166
2009	145,000	99,920	333,395	135,245
2010	155,000	91,800	348,757	123,542
2011 – 2015	925,000	307,500	1,664,294	349,131
2016 – 2020	450,000	40,800	660,189	97,138
2021 – 2025	0	0	133,591	41,255
2026 – 2030	0	0	92,562	22,285
2031 – 2035	0	0	43,391	2,545
<b>Totals</b>	<b>\$2,070,000</b>	<b>\$884,010</b>	<b>\$4,219,346</b>	<b>\$1,115,685</b>



**VILLAGE OF JOHNSTOWN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 14 – Leases**

In prior years, the Village has entered into capitalized leases which meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The following summarize the Village's capital lease activity for 2005:

On November 30, 2002 the Village entered into a lease-purchase agreement in the amount of \$103,000 for a Sterling Acterra Jet Truck. As of December 31, 2005, \$34,731 remained outstanding to be paid in equal installments \$18,620 on January 1 and July 1 with the final payment occurring in 2007.

On July 25, 2003, the Village entered into a lease-purchase agreement in the amount of \$21,092 for a 2003 Ford F250 Super Cab. This lease was paid in full during 2005.

On February 17, 2004, the Village entered into a lease-purchase agreement in the amount of \$25,715 for a 2004 Ford Crown Victoria. As of December 31, 2005, \$13,218 remained outstanding to be paid in equal installments of \$4,204 on February 17 and August 17 with the final payment in 2007.

On May 18, 2004, the Village entered into a lease-purchase agreement in the amount of \$25,715 for a 2004 Ford Crown Victoria. As of December 31, 2005, \$14,026 remained outstanding to be paid in equal installments of \$4,444 on February 17 and August 17 with the final payment in 2007.

On September 21, 2004, The Village entered into a lease-purchase agreement in the amount of \$27,688 for a 2004 Ford F250 Pick-Up truck. As of December 31, 2005, \$18,763 remained outstanding to be paid in equal installments of \$4,463 on February 21 and August 21 with final payment in 2007.

On April 12, 2004, the Village entered into a lease-purchase agreement in the amount of \$21,520 for a pick-up truck. As of December 31, 2005, \$13,153 remained outstanding to be paid in equal installments of \$8,686 with the final payment occurring in 2007.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2004:

Year Ending December 31,	Amount
2006	\$56,486
2007	<u>42,491</u>
Total Minimum Lease Payments	98,977
Less: Amount Representing Interest	<u>(5,086)</u>
Present Value Minimum Lease Payments	<u>\$93,891</u>

Under the basis of accounting as described in Note 2, these amounts are not reflected as assets and liabilities within the accompanying financial statements.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Note 15 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENT PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

Village of Johnstown  
Licking County  
599 South Main Street  
Johnstown, Ohio 43031

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Village of Johnstown as of and for the year ended December 31, 2005, and have issued our report thereon dated March 9, 2007, wherein we noted the Village followed the cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Village of Johnstown's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Villages internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted other matters that we have reported to management in a separate letter dated March 9, 2007.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Village of Johnstown's combined financial statements are free of 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 one instances of noncompliance that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as items 2005-01. We also noted certain immaterial instances of noncompliance that we have reported to the management of Village of Johnstown in a separate letter dated March 9, 2007.

This report is intended for the information of the Village Council, management, and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
March 9, 2007

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

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

**FINDING NUMBER 2005-01**

Ohio Revised Code Section 5705.09, requires each subdivision to establish the following fund: A Bond Retirement Fund, for the retirement of serial bonds, notes or certificates of indebtedness. The Village has issued bonds and notes in relation to a construction project on the municipal building. The retirement of this debt should be recorded in a Debt Service fund.

Client Response: We understand the citation but with the limited amount of payments left, we will keep recording the debt payments as we have done in the past.

**VILLAGE OF JOHNSTOWN  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2005**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2004-01	ORC 5705.41(D) No expenditure of money shall be made unless there is a attached certificate of fiscal officer.	Yes	Finding No Longer Valid
2004-02	ORC 5705.09 Establishing a Debt Service Fund	No	Not Corrected; Included in current report as Finding 2005-01



**Mary Taylor, CPA**  
Auditor of State

VILLAGE OF JOHNSTOWN

LICKING COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 29, 2007