



OHIO AUDITOR OF STATE  
**KEITH FABER**





**VILLAGE OF JUNCTION CITY  
PERRY COUNTY  
DECEMBER 31, 2018, 2017 AND 2016**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types – For the Year Ended December 31, 2018 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Proprietary and Fiduciary Fund Types – For the Year Ended December 31, 2018 .....	4
Notes to the Financial Statements – For the Year Ended December 31, 2018 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types – For the Year Ended December 31, 2017 .....	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Proprietary and Fiduciary Fund Types – For the Year Ended December 31, 2017 .....	14
Notes to the Financial Statements – For the Year Ended December 31, 2017 .....	15
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types – For the Year Ended December 31, 2016 .....	23
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Proprietary and Fiduciary Fund Types – For the Year Ended December 31, 2016 .....	24
Notes to the Financial Statements – For the Year Ended December 31, 2016 .....	25
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	33
Schedule of Findings.....	35

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road  
The Plains, Ohio 45780-1231  
(740) 594-3300 or (800) 441-1389  
SoutheastRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Village of Junction City  
Perry County  
P.O. Box 105  
Junction City, Ohio 43748-0105

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Junction City, Perry County, Ohio (the Village), as of and for the years ended December 31, 2018, 2017 and 2016.

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

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

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

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Junction City, Perry County, Ohio, as of December 31, 2018, 2017 and 2016 for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

June 15, 2020

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$21,606	\$6,753	\$28,359
Intergovernmental	27,446	76,901	104,347
Charges for Services	450	180,658	181,108
Fines, Licenses and Permits	13,186	0	13,186
Earnings on Investments	6,208	593	6,801
Miscellaneous	10,015	12,247	22,262
<i>Total Cash Receipts</i>	<u>78,911</u>	<u>277,152</u>	<u>356,063</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	37,852	96,647	134,499
Basic Utility Services	15,900	0	15,900
Transportation	2,606	6,098	8,704
General Government	18,626	136,692	155,318
Capital Outlay	0	204,582	204,582
<i>Total Cash Disbursements</i>	<u>74,984</u>	<u>444,019</u>	<u>519,003</u>
<i>Net Change in Fund Cash Balances</i>	3,927	(166,867)	(162,940)
<i>Fund Cash Balances, January 1</i>	<u>30,567</u>	<u>548,303</u>	<u>578,870</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	381,436	381,436
Assigned	33,289	0	33,289
Unassigned (Deficit)	1,205	0	1,205
<i>Fund Cash Balances, December 31</i>	<u><u>\$34,494</u></u>	<u><u>\$381,436</u></u>	<u><u>\$415,930</u></u>

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

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$306,332	\$0	\$306,332
Fines, Licenses and Permits	0	2,478	2,478
Miscellaneous	7,996	0	7,996
<i>Total Operating Cash Receipts</i>	<u>314,328</u>	<u>2,478</u>	<u>316,806</u>
<b>Operating Cash Disbursements</b>			
Personal Services	73,451	0	73,451
Contractual Services	127,114	0	127,114
Supplies and Materials	45,174	0	45,174
Other	54,820	0	54,820
<i>Total Operating Cash Disbursements</i>	<u>300,559</u>	<u>0</u>	<u>300,559</u>
<i>Operating Income</i>	<u>13,769</u>	<u>2,478</u>	<u>16,247</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Earnings on Investments (proprietary funds only)	930	0	930
Capital Outlay	(37,124)	0	(37,124)
Principal Retirement	(16,775)	0	(16,775)
Interest and Other Fiscal Charges	(5,659)	0	(5,659)
Other Financing Uses	0	(3,689)	(3,689)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(58,628)</u>	<u>(3,689)</u>	<u>(62,317)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(44,859)</u>	<u>(1,211)</u>	<u>(46,070)</u>
<i>Fund Cash Balances, January 1</i>	<u>439,454</u>	<u>1,788</u>	<u>441,242</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$394,595</u></u>	<u><u>\$577</u></u>	<u><u>\$395,172</u></u>

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



**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 1 - Reporting Entity**

The Village of Junction City, Perry County, 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police services, fire services, EMS services and Mayor's Court. The Village appropriates fire fund money to support a volunteer fire department.

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

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

***Fire Fund*** The fire fund receives money from Jackson Township to equip, maintain and operate the Village volunteer fire department.

***EMS Fund*** The EMS fund receives money from Jackson Township to equip, maintain and operate the Village EMS department.

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

***Water Fund*** The water fund accounts for the loans and grants for the planning and construction of a water distribution system as well as user fees for the operation of the system.

***Sewer Fund*** The sewer fund accounts for loans and grants for the planning and construction of a wastewater collection system as well as user fees for the operation of the system.

***Water Debt Service Fund*** The water debt service fund receives monies to cover debt payments related to the water plant.

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

***Sewer Debt Service Fund*** The sewer debt service fund receives monies to cover debt payments related to the sewer plant.

***Fiduciary Funds*** Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the receipts and disbursements of the mayor's court.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

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

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2018 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***Capital Assets***

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

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

***Accumulated Leave***

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

***Fund Balance***

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

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

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

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

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

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

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

**Note 3 - Budgetary Activity**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Debt Service and Unapplied Utilities Funds by \$1,638 and \$940, respectively, for the year ended December 31, 2018. Budgetary activity for the year ending December 31, 2018 follows:

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,100	\$78,911	\$21,811
Special Revenue	202,000	277,152	75,152
Enterprise	279,000	315,258	36,258
Total	\$538,100	\$671,321	\$133,221

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$87,154	\$74,984	\$12,170
Special Revenue	621,080	444,019	177,061
Enterprise	536,380	360,117	176,263
Total	\$1,244,614	\$879,120	\$365,494

**Note 4 – Deposits**

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

	2018
Demand deposits	\$811,102

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

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

**Note 6 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

***Ohio Police and Fire Retirement System***

The Village's full-time Police Officer belongs to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributes 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2018.

***Social Security***

Twenty-nine of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 0 percent of the employer contribution to fund these benefits and OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**Note 9 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OWDA Loan 4195	\$56,584	4.1%
OWDA Loan 7065	92,223	1.3%
OPWC Loan CR13R	179,565	0.0%
Total	\$328,372	

The Ohio Water Development Authority (OWDA) loan relates to loan account number 4195 which was issued in 2005 in the amount of \$83,408. This loan was for the sewer line and sewer plant construction. The Village will repay this loan in semiannual installments of approximately \$2,400, including interest, over 30 years. An additional OWDA loan account number 7065 was issued in 2016 in the amount of \$100,618. This loan was for installation of water meter pits within the Village. The Village will repay this loan in semiannual installments of \$2,031, including interest over 30 years.

The OPWC Loan account number CR13R was issued in 2016 in the amount of \$195,889. This loan was for the installation of meter pits and replacing all the water meters within the Village. The Village will repay this loan in semiannual installments of \$3,265 interest free, over 30 years. The Village has agreed to set utility rates to cover the OWDA and OPWC debt service requirements.

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

***Amortization***

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

Year Ending December 31:	OWDA Loan 4195	OWDA Loan 7065	OPWC Loan CR13R
2019	\$4,800	\$4,061	\$3,265
2020	4,803	4,061	6,530
2021	4,805	4,061	6,530
2022	4,808	4,061	6,530
2023	4,811	4,061	6,530
2024-2028	24,102	20,305	32,648
2029-2033	24,193	20,305	32,648
2034-2038	7,279	20,305	32,648
2039-2043		20,305	32,648
2044-2046		10,153	19,588
Total	<u>\$79,601</u>	<u>\$111,678</u>	<u>\$179,565</u>

**Note 10 – Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

**This page intentionally left blank.**



**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$19,421	\$8,226	\$27,647
Intergovernmental	17,861	27,243	45,104
Charges for Services	355	91,074	91,429
Fines, Licenses and Permits	5,554	0	5,554
Earnings on Investments	7,446	0	7,446
Miscellaneous	4,967	5,158	10,125
<i>Total Cash Receipts</i>	<u>55,604</u>	<u>131,701</u>	<u>187,305</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	29,977	63,144	93,121
Basic Utility Services	19,281	8,882	28,163
Transportation	2,525	84,381	86,906
General Government	31,390	0	31,390
<i>Total Cash Disbursements</i>	<u>83,173</u>	<u>156,407</u>	<u>239,580</u>
<i>Net Change in Fund Cash Balances</i>	(27,569)	(24,706)	(52,275)
<i>Fund Cash Balances, January 1</i>	<u>58,136</u>	<u>573,009</u>	<u>631,145</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	548,303	548,303
Assigned	30,053	0	30,053
Unassigned (Deficit)	514	0	514
<i>Fund Cash Balances, December 31</i>	<u>\$30,567</u>	<u>\$548,303</u>	<u>\$578,870</u>

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

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$301,806	\$0	\$301,806
Fines, Licenses and Permits	0	2,124	2,124
Miscellaneous	4,566	0	4,566
<i>Total Operating Cash Receipts</i>	<u>306,372</u>	<u>2,124</u>	<u>308,496</u>
<b>Operating Cash Disbursements</b>			
Personal Services	89,156	0	89,156
Contractual Services	126,725	0	126,725
Supplies and Materials	18,690	0	18,690
Other	43,031	0	43,031
<i>Total Operating Cash Disbursements</i>	<u>277,602</u>	<u>0</u>	<u>277,602</u>
<i>Operating Income</i>	<u>28,770</u>	<u>2,124</u>	<u>30,894</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Special Assessments	181	0	181
Principal Retirement	(6,043)	0	(6,043)
Interest and Other Fiscal Charges	(1,926)	0	(1,926)
Other Financing Uses	0	(501)	(501)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(7,788)</u>	<u>(501)</u>	<u>(8,289)</u>
<i>Net Change in Fund Cash Balances</i>	20,982	1,623	22,605
<i>Fund Cash Balances, January 1</i>	<u>418,472</u>	<u>165</u>	<u>418,637</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$439,454</u></u>	<u><u>\$1,788</u></u>	<u><u>\$441,242</u></u>

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

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 1 - Reporting Entity**

The Village of Junction City, Perry County, 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police services, fire services, and EMS services. The Village appropriates fire fund money to support a volunteer fire department.

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

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

***Fire Fund*** The fire fund receives money from Jackson Township to equip, maintain and operate the Village volunteer fire department.

***EMS Fund*** The EMS fund receives money from Jackson Township to equip, maintain and operate the Village EMS department.

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

***Water Fund*** The water fund accounts for the loans and grants for the planning and construction of a water distribution system as well as user fees for the operation of the system.

***Sewer Fund*** The sewer fund accounts for loans and grants for the planning and construction of a wastewater collection system as well as user fees for the operation of the system.

***Water Debt Service Fund*** The water debt service fund receives monies to cover debt payments related to the water plant.

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

***Sewer Debt Service Fund*** The sewer debt service fund receives monies to cover debt payments related to the sewer plant.

***Fiduciary Funds*** Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the receipts and disbursements of the mayor's court.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

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

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***Capital Assets***

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

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

***Accumulated Leave***

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

***Fund Balance***

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

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

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

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

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

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

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

**Note 3 - Budgetary Activity**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Unapplied Utilities Fund by \$1,490 for the year ended December 31, 2017. Budgetary activity for the year ending December 31, 2017 follows:

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,800	\$55,604	(\$2,196)
Special Revenue	167,902	131,701	(36,201)
Enterprise	282,500	306,553	24,053
Total	\$508,202	\$493,858	(\$14,344)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$115,014	\$83,173	\$31,841
Special Revenue	607,557	156,407	451,150
Enterprise	1,151,870	285,571	866,299
Total	\$1,874,441	\$525,151	\$1,349,290

**Note 4 – Deposits**

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

	2017
Demand deposits	\$1,020,112

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 6 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

***Ohio Police and Fire Retirement System***

The Village's full-time Police Officer belongs to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributes 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2017.

***Social Security***

Twenty-eight of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village currently has paid all contributions required through December 31, 2017. Certain contributions for 2017 were made during 2018.

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits and OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insurance health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OWDA Loan 4195	\$60,283	4.1%
OWDA Loan 7065	\$95,931	1.3%
OPWC Loan CR13R	189,360	0.0%
Total	\$345,574	

The Ohio Water Development Authority (OWDA) loan relates to loan account number 4195 which was issued in 2005 in the amount of \$83,408. This loan was for the sewer line and sewer plant construction. The Village will repay this loan in semiannual installments of approximately \$2,400, including interest, over 30 years. An additional OWDA loan account number 7065 was issued in 2016 in the amount of \$100,618. This loan was for installation of water meter pits within the Village. The Village will repay this loan in semiannual installments of \$2,031, including interest over 30 years.

The OPWC Loan account number CR13R was issued in 2016 in the amount of \$195,889. This loan was for the installation of meter pits and replacing all the water meters within the Village. The Village will repay this loan in semiannual installments of \$3,265 interest free, over 30 years. The Village has agreed to set utility rates to cover the OWDA and OPWC debt service requirements.



**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

***Amortization***

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

Year Ending December 31:	OWDA Loan 4195	OWDA Loan 7065	OPWC Loan CR13R
2018	4,798	4,061	6,530
2019	4,800	4,061	6,530
2020	4,803	4,061	6,530
2021	4,805	4,061	6,530
2022	4,808	4,061	6,530
2023-2027	24,086	20,305	32,648
2028-2032	24,174	20,305	32,648
2033-2037	12,125	20,305	32,648
2038-2042		20,305	32,648
2043-2046		14,214	26,118
Total	<u>\$84,399</u>	<u>\$115,739</u>	<u>\$189,360</u>

**Note 10 – Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

**This page intentionally left blank.**

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$21,116	\$6,696	\$27,812
Intergovernmental	21,295	63,005	84,300
Charges for Services	600	176,691	177,291
Fines, Licenses and Permits	18,659	0	18,659
Earnings on Investments	3,816	0	3,816
Miscellaneous	4,779	2,681	7,460
<i>Total Cash Receipts</i>	<u>70,265</u>	<u>249,073</u>	<u>319,338</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	31,873	75,322	107,195
Basic Utility Services	14,001	32,474	46,475
Transportation	1,996	6,035	8,031
General Government	12,795	98,934	111,729
<i>Total Cash Disbursements</i>	<u>60,665</u>	<u>212,765</u>	<u>273,430</u>
<i>Net Change in Fund Cash Balances</i>	9,600	36,308	45,908
<i>Fund Cash Balances, January 1</i>	<u>48,536</u>	<u>536,701</u>	<u>585,237</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	573,009	573,009
Assigned	57,245	0	57,245
Unassigned (Deficit)	891	0	891
<i>Fund Cash Balances, December 31</i>	<u>\$58,136</u>	<u>\$573,009</u>	<u>\$631,145</u>

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

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$302,075	\$0	\$302,075
Fines, Licenses and Permits	0	11,460	11,460
Miscellaneous	3,230	0	3,230
<i>Total Operating Cash Receipts</i>	<u>305,305</u>	<u>11,460</u>	<u>316,765</u>
<b>Operating Cash Disbursements</b>			
Personal Services	94,563	0	94,563
Contractual Services	119,304	0	119,304
Supplies and Materials	31,038	0	31,038
Other	42,913	0	42,913
<i>Total Operating Cash Disbursements</i>	<u>287,818</u>	<u>0</u>	<u>287,818</u>
<i>Operating Income</i>	<u>17,487</u>	<u>11,460</u>	<u>28,947</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	245,086	0	245,086
Capital Outlay	(541,189)	0	(541,189)
Principal Retirement	(8,671)	0	(8,671)
Interest and Other Fiscal Charges	(3,968)	0	(3,968)
Loans Issued	296,106	0	296,106
Other Financing Uses	0	(11,418)	(11,418)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(12,636)</u>	<u>(11,418)</u>	<u>(24,054)</u>
<i>Net Change in Fund Cash Balances</i>	4,851	42	4,893
<i>Fund Cash Balances, January 1</i>	<u>413,621</u>	<u>123</u>	<u>413,744</u>
<i>Fund Cash Balances, December 31</i>	<u>\$418,472</u>	<u>\$165</u>	<u>\$418,637</u>

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

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 1 - Reporting Entity**

The Village of Junction City, Perry County, 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police services, fire services, and EMS services. The Village appropriates fire fund money to support a volunteer fire department.

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

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

***Fire Fund*** The fire fund receives money from Jackson Township to equip, maintain and operate the Village volunteer fire department.

***EMS Fund*** The EMS fund receives money from Jackson Township to equip, maintain and operate the Village EMS department.

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

***Water Fund*** The water fund accounts for the loans and grants for the planning and construction of a water distribution system as well as user fees for the operation of the system.

***Sewer Fund*** The sewer fund accounts for loans and grants for the planning and construction of a wastewater collection system as well as user fees for the operation of the system.

***Water Debt Service Fund*** The water debt service fund receives monies to cover debt payments related to the water plant.

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

***Sewer Debt Service Fund*** The sewer debt service fund receives monies to cover debt payments related to the sewer plant.

***Fiduciary Funds*** Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the receipts and disbursements of the mayor's court.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds be budgeted annually.

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

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

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2016 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***Capital Assets***

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

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

***Accumulated Leave***

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

***Fund Balance***

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

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

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

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

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

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

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

**Note 3 - Budgetary Activity**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Debt Service Water and Wastewater Fund by \$639, the Water Fund by \$483,958 and the Unapplied Utilities Fund by \$320 for the year ended December 31, 2016. Budgetary activity for the year ending December 31, 2016 follows:

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,400	\$70,265	\$12,865
Special Revenue	183,990	249,073	65,083
Enterprise	274,000	846,497	572,497
Total	\$515,390	\$1,165,835	\$650,445

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$104,643	\$60,665	\$43,978
Special Revenue	614,211	212,765	401,446
Enterprise	793,359	841,646	(48,287)
Total	\$1,512,213	\$1,115,076	\$397,137

**Note 4 – Deposits**

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

	2016
Demand deposits	\$1,049,782

***Deposits***

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

**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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



**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 6 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

***Ohio Police and Fire Retirement System***

The Village's full-time Police Officer belongs to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributes 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2016.

***Social Security***

Twenty-eight of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OWDA Loan 4195	\$61,409	4.1%
OWDA Loan 7065	\$97,481	1.3%
OPWC Loan CR13R	192,625	0.0%
Total	\$351,515	

The Ohio Water Development Authority (OWDA) loan relates to loan account number 4195 which was issued in 2005 in the amount of \$83,408. This loan was for the sewer line and sewer plant construction. The Village will repay this loan in semiannual installments of approximately \$2,400, including interest, over 30 years. An additional OWDA loan account number 7065 was issued in 2016 in the amount of \$100,618. This loan was for installation of water meter pits within the Village. The Village will repay this loan in semiannual installments of \$2,031, including interest over 30 years.

The OPWC Loan account number CR13R was issued in 2016 in the amount of \$195,889. This loan was for the installation of meter pits and replacing all the water meters within the Village. The Village will repay this loan in semiannual installments of \$3,265 interest free, over 30 years. The Village has agreed to set utility rates to cover the OWDA and OPWC debt service requirements.

**Village Junction City, Ohio**  
*Perry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

***Amortization***

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

Year Ending December 31:	OWDA Loan 4195	OWDA Loan 7065	OPWC Loan CR13R
2017	\$4,795	\$4,061	\$3,265
2018	4,798	4,061	6,530
2019	4,800	4,061	6,530
2020	4,803	4,061	6,530
2021	4,805	4,061	6,530
2022-2026	24,070	20,305	32,648
2027-2031	24,155	20,305	32,648
2032-2036	16,968	20,305	32,648
2037-2041		20,305	32,648
2042-2046		18,275	32,648
Total	\$89,194	\$119,800	\$192,625

**Note 10 – Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road  
The Plains, Ohio 45780-1231  
(740) 594-3300 or (800) 441-1389  
SoutheastRegion@ohioauditor.gov

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

Village of Junction City  
Perry County  
P.O. Box 105  
Junction City, Ohio 43745-0105

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Junction City, Perry County, Ohio (the Village), as of and for the years ended December 31, 2018, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 15, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2018-001 through 2018-003 and 2018-005 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2018-001 and 2018-004.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

June 15, 2020

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018, 2017 AND 2016**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2018-001**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 9.38 requires public money to be deposited with the treasurer of the public office or with a designated depository on the business day next following the day of receipt.

During 2018, we noted the Village failed to deposit a \$57,500 Fire and EMS contract payment issued by Jackson Township in December 2018 until January 2019. During 2017, we noted the Village failed to deposit a \$57,500 Fire and EMS contract payment issued by Jackson Township in December 2017 until February 2018. Additionally, we noted 50 percent of EMS receipts tested were retained for greater than the allowable time before being deposited with the financial institution during 2017.

Also, during our testing of Mayor's Court receipts we noted 80 percent of receipts tested for 2017 and 58 percent of receipts tested during 2016 for Mayor's Court were retained for greater than the allowable time before being deposited with the financial institution.

Furthermore, during our testing of confirmable cash receipts we noted that the Village did not timely post transactions. We noted two instances, totaling \$6,113 during 2017 where checks were issued from the State of Ohio during October 2017 that were not posted to the manual ledgers until March 2018.

Failure to timely deposit and record monies to the Village's accounting records increases the risk of theft or loss and resulted in noncompliance with the aforementioned law. In addition, this could result in receipts being recorded and reported in the wrong year.

The Village should adopt policies and procedures to allow receipts to be deposited no later than the business day next following the day of receipt. Monies received by the Village should be posted to the accounting system immediately upon receipt from the source of the monies.

**FINDING NUMBER 2018-002**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 and .A16.

For the fiscal year ending December 31, 2018, the following misstatements were noted in the Village's financial statements:

- Franchise Fees receipts, totaling \$10,186, were posted to the General Fund as Miscellaneous Receipts rather than Licenses, Permits and Fees.
- Grant Receipts, totaling \$32,159, were posted to the Special Revenue Funds as Miscellaneous Receipts instead of Intergovernmental receipts.
- Capital Outlay, totaling \$37,124, was omitted from the Enterprise Funds.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 2017 AND 2016  
(Continued)**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
---

**FINDING NUMBER 2018-002 (Continued)**

**Material Weakness (Continued)**

- Activity related to the water and wastewater upgrades, in the amount of \$25,182, was posted to the Debt Service Fund instead of the Enterprise Funds.
- An OWDA refund payment, totaling \$4,704, was posted as Miscellaneous Receipts in the Debt Service Fund instead of the Enterprise funds.
- Mayor's Court Activity, totaling \$4,266, was not reported on the Village's financial statements.

For the fiscal year ending December 31, 2017, the following misstatements were noted in the Village's financial statements:

- Interest receipts, totaling \$7,446, were posted to the General Fund as Miscellaneous Receipts rather than Interest receipts.
- Franchise fee receipts, totaling \$5,529, were posted to the General Fund as Miscellaneous Receipts rather than Licenses, Permits and Fees.
- Activity related to the water and wastewater upgrades, in the amount of \$23,881, was posted to the Debt Service Fund instead of the Enterprise Funds.
- Mayor's Court Activity, totaling \$2,289, was not reported on the Village's financial statements.

For the fiscal year ending December 31, 2016, the following misstatements were noted in the Village's financial statements:

- Interest receipts, totaling \$3,816, were posted to the General Fund as Miscellaneous Receipts rather than Interest receipts.
- Franchise fee receipts, totaling \$7,912, were posted to the General Fund as Miscellaneous Receipts rather than Licenses, Permits and Fees.
- Public Safety Grant receipts, totaling \$34,250, were posted to Miscellaneous receipts in the EMS Fund instead of Intergovernmental Revenues.
- Activity related to the water and wastewater upgrades, in the amount of \$93,448, was posted to the Debt Service Fund instead of the Enterprise Funds.
- Grant Receipts for a water project, totaling \$88,981, were posted as Miscellaneous receipts instead of Intergovernmental receipts in the Enterprise Funds.
- CDBG receipts and its corresponding disbursements were recorded twice in the Enterprise Funds in the amount of \$51,829.
- OPWC grant receipts, totaling \$156,102, were posted to the Enterprise Funds as Miscellaneous receipts rather and Intergovernmental receipts.
- Water project disbursements, totaling \$541,189, were posted as Other Disbursements instead of Capital Outlay in the Water Fund.
- OWDA Loan proceeds, totaling \$100,217, was posted as Miscellaneous receipts rather than Loan Proceeds in the Water Fund.
- Mayor's Court Activity, totaling \$11,583, was not reported on the Village's financial statements.

Adjustments, with which management has agreed, are reflected in the accompanying financial statements of the Village to correct these errors. In addition, other immaterial adjustments, ranging from \$410 to \$3,169, with which management has agreed, are also reflected in the accompanying financial statements. We also noted other immaterial unadjusted misstatements that were brought to the attention of the Village management.



VILLAGE OF JUNCTION CITY  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 2017 AND 2016  
(Continued)

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

**FINDING NUMBER 2018-002 (Continued)**

**Material Weakness (Continued)**

Failure to properly classify fund balances and receipts on the financial statements could result in the financial statements being misleading.

The Fiscal Officer should refer to the Ohio Village Handbook for proper classification of receipts and fund balances and take additional care in posting transactions to the Village's accounting system and annual financial report to ensure the Village's year-end financial statements reflect the appropriate sources, uses, and classification of the Village's receipts, disbursements, and fund balances.

**FINDING NUMBER 2018-003**

**Material Weakness**

A well-designed system of internal control will include monitoring of financial reports and information by the governing board in order to compensate for any lack of segregation of duties. The small size of the Village's staff did not allow for an adequate segregation of duties. The Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important for the Council members to monitor financial activity closely and to follow up on any audit findings.

The results of our audit indicated a weakness in management's role to establish and maintain effective internal controls and to ensure and document the Village is complying with legal requirements as evidenced by the noncompliance citations and material weaknesses included in our report. We noted that beginning in February 2017 when a new Fiscal Officer took office, monthly financial reports and reconciliations were no longer presented to the Council for review and approval. Additionally, the Fiscal Officer failed to report monthly Mayor's Court activity to the Council on a consistent basis. Lack of reports appear to have been unnoticed by Council as the minutes do not document Council's questioning as to why these items were no longer presented. We also noted during our testing of 2017 that the Village failed to make payments to vendors in a timely fashion which subjected the Village to late fees.

Failure to adequately monitor the activities of the Village by Village Council and maintain supporting evidence and accounting reports of the Village's activities could result in errors or irregularities to occur and remain undetected.

The Village Council and Board of Public Affairs/Village Administrator should become more actively involved in monitoring the financial activity of the Village. Village Council should ensure that the Fiscal Officer performs a monthly bank reconciliation. Village Council should then review the validity of the computations and reconciling items and attest to the reconciliation's accuracy. Village Council should also ensure the Fiscal Officer maintains and presents to Council monthly the following records: receipts ledger, appropriations ledger, cash journal, budget vs. actual reports for receipts and disbursements, payroll journal and check register. Utility duties including the receipt of cash, depositing and posting activity to the billing system should be appropriately segregated and all adjustments to utility accounts should require approval. Supervisory reviews should be performed by members of Village Council and evidenced by the initials of each member performing the review and the date of the review was performed.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 2017 AND 2016  
(Continued)**

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

**FINDING NUMBER 2018-003 (Continued)**

**Material Weakness (Continued)**

The presentation of these records and reviews by Village Council and Board of Public Affairs/Village Administrator should be noted in the minutes. Council should make appropriate inquiries to help determine the continued integrity of financial information such as:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures in line with the budget?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations occur, is the reason documented, and properly budgeted for?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

**FINDING NUMBER 2018-004**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

Expenditures plus outstanding commitments exceeded Council approved appropriations for the year ended December 31, 2018 as follows:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
Water Debt Service Fund	\$25,500	\$27,138	(\$1,638)
Unapplied Utilities Fund	7,000	7,940	(940)

Expenditures plus outstanding commitments exceeded Council approved appropriations for the year ended December 31, 2017 as follows:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
Unapplied Utilities Fund	\$7,000	\$8,490	(\$1,490)

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 2017 AND 2016  
(Continued)**

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

**FINDING NUMBER 2018-004 (Continued)**

**Noncompliance (Continued)**

Expenditures plus outstanding commitments exceeded Council approved appropriations for the year ended December 31, 2016 as follows:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
Debt Service Water/Wastewater Fund	\$12,000	\$12,639	(\$639)
Water Fund	253,500	737,458	(483,958)
Unapplied Utilities Fund	5,000	5,320	(320)

Failure to limit expenditures to Council approved appropriations could result in deficit spending within the Village's funds.

The Fiscal Officer should deny payment requests exceeding appropriations. The Fiscal Officer and Village Council should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations

**FINDING NUMBER 2018-005**

**Material Weakness**

Management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. In addition, a well-designed system of internal control will include monitoring of financial reports and information by management in order to compensate for any lack of segregation of duties. This should include the approval of all adjustments posted to the utility billing system and review of utility reports by management for the posting of unauthorized adjustments.

The Village was unable to provide sufficient appropriate audit evidence supporting a member of Village management approved adjustments to customer utility accounts. Although we were able to perform alternative procedures to gain assurances over the adjustments, the failure of Village management to review utility reports for evidence of unauthorized adjustments could result in fictitious adjustments being made to the system and remaining undetected.

The Village should develop and implement a formal policy regarding utility adjustments made to customer accounts. The policy should require all adjustments to be approved by the Board of Public Affairs prior to being posted to the billing system. In addition, the policy should require the Board of Public Affairs to review billing reports on a periodic basis for evidence of unauthorized adjustments posted to the system. These reviews should be documented on the appropriate reports and maintained on file as evidence that this review has been performed.

**Officials' Response:** We did not receive a response from Officials to the above findings.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 2017 AND 2016  
(Continued)**

<b>4. OTHER – FINDINGS FOR RECOVERY</b>
---

In addition, we identified the following other issues related to Findings for Recovery. These issues did not impact our GAGAS or Single Audit Compliance and Controls reports.

**FINDING NUMBER 2018-006**

**Finding for Recovery**

Ohio Rev. Code § 731.13 states, in part, the legislative authority of a Village shall fix the compensation of all officers, clerks, and employees of the Village except as otherwise provided by law. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed. This section does not prohibit the payment of any increased costs of continuing to provide the identical benefits provided to an officer at the commencement of his term of office.

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable.

Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Council approved salary schedule indicates that Randi Brown, former Village Fiscal Officer, will be compensated at a rate of \$635 monthly for January and February 2017 and \$835 monthly beginning March 2017. For 2017, Ms. Brown was paid \$10,322 rather than the authorized \$9,600, resulting in an overpayment of \$722. The extra payment made in August 2017 was omitted from the listing of bills provided to Council for approval. Furthermore, the voucher packet presented for approval for the former Fiscal Officer’s December 2017 pay contained the Police Chief’s name rather than the former Fiscal Officer’s.

The Village should review employee payroll records to ensure proper amounts are paid.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against former Fiscal Officer Randi Brown, and her bonding company, Western Surety Company, in the amount of \$722, and in favor of the Village of Junction City’s General Fund.

VILLAGE OF JUNCTION CITY  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 2017 AND 2016  
(Continued)

**4. OTHER – FINDINGS FOR RECOVERY (Continued)**

**FINDING NUMBER 2018-007**

**Finding for Recovery**

Sound accounting practices requires designing and operating a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for its public offices in certain categories. Furthermore, the Village should maintain an accounting system and accounting records sufficient to ensure the accountability over entity assets.

During the period, the former Village Officer collected fines related to the Village's Mayors Court generated from traffic violations. We noted the Village's duplicate receipts indicated cash of \$125 was collected for fines on December 13, 2017 related to a traffic violation. The receipt was signed by Randi Brown, former Village Fiscal Officer indicating the monies were received; however, there was no evidence that the receipt was deposited within the Mayor's Court bank account.

Without consistently performing internal control procedures and periodically monitoring the reconciliation of receipts to deposits, management cannot be reasonably assured all monies collected are deposited. This increases the likelihood that fraud and/or theft could occur and remain undetected.

The Village should implement policies and procedures to ensure all monies collected for the Village's Mayor's Court are deposited. This should include, but not necessarily be limited to, a reconciliation of amounts received to amounts deposited and a periodic review of the receipt and deposit records to ensure amounts have been deposited.

In accordance with the foregoing facts and circumstances, and, pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money collected but unaccounted for, is hereby issued against Randi Brown, former Village Fiscal Officer, and her bonding company, Western Surety Company, in the amount of \$125 and in favor of the Village of Junction City's Mayor's Court Fund.

**FINDING NUMBER 2018-008**

**Finding for Recovery**

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Furthermore, Ohio Rev. Code § 5747.06 states that except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee. The method of determining the amount to be withheld shall be prescribed by rule of the tax commissioner.

VILLAGE OF JUNCTION CITY  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 2017 AND 2016  
(Continued)

4. OTHER – FINDINGS FOR RECOVERY (Continued)

FINDING NUMBER 2018-008 (Continued)

**Finding for Recovery (Continued)**

During 2017, the Village properly withheld state taxes from the employees' pay; however, payments for withholdings related to May 2017 through December 2017 were not remitted to the Treasurer of State of Ohio until June 2018. As a result, the Village paid an additional \$54 to the Treasurer of State of Ohio for interest related to 2017 payments.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Randi Brown, former Village Fiscal Officer, and her bonding company, Western Surety Company, in the amount of \$54 and in favor of the Village of Junction City's General Fund.

The Village should ensure that transmittal of state income taxes is made timely to avoid possible late penalties and interest.

FINDING NUMBER 2018-009

**Finding for Recovery**

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Furthermore, 26 U.S.C § 3102(a)(1) requires every employer making payment of wages to deduct and withhold a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury.

During 2017, the Village withheld federal taxes and Medicare from employees' pay but failed to remit withholdings from May through December 2017 until May 2018. As a result, the Village incurred and paid penalties and interest totaling \$4,212 to the Internal Revenue Service during 2018.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Randi Brown, former Village Fiscal Officer, and her bonding company, Western Surety Company, in the amount of \$4,212, and in favor of the Village of Junction City's General, Street, Water, Wastewater, Fire and EMS Funds, in the amounts of \$702 to each fund.

The Fiscal Officer should remit the proper federal taxes and Medicare promptly to the Internal Revenue Service each period, as required.

VILLAGE OF JUNCTION CITY  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 2017 AND 2016  
(Continued)

4. OTHER – FINDINGS FOR RECOVERY (Continued)

FINDING NUMBER 2018-010

**Finding for Recovery**

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Furthermore, a well-designed system of internal controls should contain procedures to ensure invoices are paid in a timely manner and the amount paid is the most advantageous to the Village.

We noted the Village paid vendors late fees and penalties totaling \$5,952 during 2019, \$10,766 during 2018 and \$241 during 2017. These were the result of the former Fiscal Officer not making payments to vendors in a timely manner. Of these amounts, \$15,935 was to settle claims that were incurred directly by the Village as a result of the Village’s worker’s compensation coverage lapsing at the beginning of 2018. An injury occurred during the period in which the policy was lapsed.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Randi Brown, former Village Fiscal Officer, and her bonding company, Western Surety Company, in the amount of \$16,959, and in favor of the Village of Junction City’s General, Street, Fire, EMS, Water Debt Service, Wastewater Debt Service, Water, and Wastewater Funds, in the amounts of \$769, \$4,602, \$55, \$134, \$69, \$88, \$5,621, and \$5,621, respectively.

The Village should make timely payments to ensure late fees are not incurred and take advantage of discounts offered by vendors whenever possible.

**Officials’ Response:** We did not receive a response from Officials to the above findings.

**This page intentionally left blank.**



OHIO AUDITOR OF STATE  
**KEITH FABER**



VILLAGE OF JUNCTION CITY

PERRY 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  
JUNE 30, 2020