

***VILLAGE OF JUNCTION CITY  
PERRY COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2011 & 2010***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Village Council  
Village of Junction City  
PO Box 105  
Junction City, Ohio 43748

We have reviewed the *Report of Independent Accountants* of the Village of Junction City, Perry County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Junction City is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

December 7, 2012

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**VILLAGE OF JUNCTION CITY  
PERRY COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2011 & 2010**

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

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Junction City  
Perry County  
PO Box 105  
Junction City, Ohio 43748

To the Village Council:

We have audited the accompanying financial statements of the Village of Junction City, Perry County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

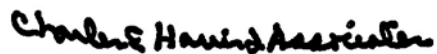
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Junction City, Perry County, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

As described in Note 8, during 2010 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



***Charles E. Harris & Associates, Inc.***

July 31, 2012



**VILLAGE OF JUNCTION CITY**  
**PERRY COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2011**

	Governmental Fund Types		Totals- (Memorandum Only)
	General	Special Revenue	
<b>Receipts:</b>			
Property Taxes	\$ 22,286	\$ 7,002	\$ 29,288
Intergovernmental	21,934	27,485	49,419
Charges for Service	550	168,784	169,334
Fines, Licenses and Permits	5,332	-	5,332
Earnings on Investment	2,537	358	2,895
Other	20,045	20,259	40,304
<b>Total Receipts</b>	<b>72,684</b>	<b>223,888</b>	<b>296,572</b>
<b>Disbursements:</b>			
Security of Persons & Property	36,415	28,393	64,808
Basic Utility Services	13,414	25,920	39,334
Transportation	2,440	13,827	16,267
General Government	9,417	83,276	92,693
Debt Service:			
Principal	-	21,478	21,478
Interest	-	1,243	1,243
<b>Total Disbursements</b>	<b>61,686</b>	<b>174,137</b>	<b>235,823</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>10,998</b>	<b>49,751</b>	<b>60,749</b>
<b>Fund Cash Balance, January 1, 2011</b>	<b>21,312</b>	<b>375,996</b>	<b>397,308</b>
<b>Fund Balances:</b>			
Restricted	-	425,747	425,747
Unassigned	32,310	-	32,310
<b>Fund Cash Balance, December 31, 2011</b>	<b>\$ 32,310</b>	<b>\$ 425,747</b>	<b>\$ 458,057</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE  
For the Year Ended December 31, 2011**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Receipts:</b>			
Charges for Services	\$ 278,078	\$ -	\$ 278,078
Miscellaneous	3,145	-	3,145
<b>Total Receipts</b>	<u>281,223</u>	<u>-</u>	<u>281,223</u>
<b>Disbursements:</b>			
Personal Services	53,662	-	53,662
Contractual Services	142,577	-	142,577
Material and Supplies	22,302	-	22,302
Transportation	4,302	-	4,302
Other	20,553	-	20,553
<b>Total Disbursements</b>	<u>243,396</u>	<u>-</u>	<u>243,396</u>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>37,827</b>	<b>-</b>	<b>37,827</b>
<b>Non-Operating Receipts/Disbursements:</b>			
Special Assessments	14,730	-	14,730
Earnings on Investment	220	-	220
Redemption of Principal	(22,602)	-	(22,602)
Interest and Other Fiscal Charges	(4,160)	-	(4,160)
Fines and Forfeitures	-	6,055	6,055
Distribution of Fines and Forfeitures	-	(5,325)	(5,325)
<b>Total Non-Operating Receipts/Disbursements</b>	<u>(11,812)</u>	<u>730</u>	<u>(11,082)</u>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements</b>	<b>26,015</b>	<b>730</b>	<b>26,745</b>
<b>Fund Cash Balance, January 1, 2011</b>	<u>280,800</u>	<u>62</u>	<u>280,862</u>
<b>Fund Cash Balance, December 31, 2011</b>	<u><u>\$ 306,815</u></u>	<u><u>\$ 792</u></u>	<u><u>\$ 307,607</u></u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF JUNCTION CITY**  
**PERRY COUNTY, OHIO**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2010**

	<u>Governmental Fund Types</u>		<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property Taxes	\$ 22,671	\$ 11,674	\$ 34,345
Intergovernmental	24,398	24,043	48,441
Charges for Service	300	217,578	217,878
Fines, Licenses and Permits	3,214	-	3,214
Earnings on Investment	6,181	701	6,882
Other	10,899	2,604	13,503
<b>Total Receipts</b>	<b>67,663</b>	<b>256,600</b>	<b>324,263</b>
<b>Disbursements:</b>			
Security of Persons & Property	41,331	34,305	75,636
Basic Utility Services	19,401	9,746	29,147
Transportation	3,958	21,219	25,177
General Government	12,954	172,865	185,819
Debt Service:			
Principal	-	39,289	39,289
Interest	-	3,522	3,522
<b>Total Disbursements</b>	<b>77,644</b>	<b>280,946</b>	<b>358,590</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(9,981)</b>	<b>(24,346)</b>	<b>(34,327)</b>
<b>Fund Cash Balance, January 1, 2010</b>	<b>31,293</b>	<b>400,342</b>	<b>431,635</b>
<b>Fund Balances:</b>			
Restricted	-	375,996	375,996
Unassigned	21,312	-	21,312
<b>Fund Cash Balance, December 31, 2010</b>	<b>\$ 21,312</b>	<b>\$ 375,996</b>	<b>\$ 397,308</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES -PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE  
For the Year Ended December 31, 2010**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
<b>Receipts:</b>			
Charges for Services	\$ 252,770	\$ -	\$ 252,770
Miscellaneous	<u>2,350</u>	<u>-</u>	<u>2,350</u>
<b>Total Receipts</b>	<u>255,120</u>	<u>-</u>	<u>255,120</u>
<b>Disbursements:</b>			
Personal Services	42,696	-	42,696
Contractual Services	147,327	-	147,327
Material and Supplies	90,847	-	90,847
Transportation	4,155	-	4,155
Other	<u>13,730</u>	<u>-</u>	<u>13,730</u>
<b>Total Disbursements</b>	<u>298,755</u>	<u>-</u>	<u>298,755</u>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>(43,635)</b>	<b>-</b>	<b>(43,635)</b>
<b>Non-Operating Receipts/Disbursements:</b>			
Special Assessments	14,429	-	14,429
Earnings on Investment	4,521	-	4,521
Redemption of Principal	(21,919)	-	(21,919)
Interest and Other Fiscal Charges	(7,250)	-	(7,250)
Fines and Forfeitures	-	4,572	4,572
Distribution of Fines and Forfeitures	<u>-</u>	<u>(4,510)</u>	<u>(4,510)</u>
<b>Total Non-Operating Receipts/Disbursements</b>	<u>(10,219)</u>	<u>62</u>	<u>(10,157)</u>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements</b>	<b>(53,854)</b>	<b>62</b>	<b>(53,792)</b>
<b>Fund Cash Balance, January 1, 2010</b>	<u>334,654</u>	<u>-</u>	<u>334,654</u>
<b>Fund Cash Balance, December 31, 2010</b>	<u><u>\$ 280,800</u></u>	<u><u>\$ 62</u></u>	<u><u>\$ 280,862</u></u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Junction City, Perry County (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six member Council. The Village provides general governmental services, street maintenance, police and fire protection, emergency medical services, and water and sewer services for its citizens.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

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

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**VILLAGE OF JUNCTION CITY**  
**PERRY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Street Construction Maintenance & Repair Fund- This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.
- State Highway Improvement Fund - This fund receives gasoline tax and vehicle tax money for constructing, maintaining and repairing Village streets.
- EMS Fund- This fund receives money from Jackson Village to equip, maintain and operate the Village EMS department.
- Fire Fund- This fund receives money from Jackson Village to equip, maintain and operate the Village volunteer fire department..

Proprietary Fund Types:

Enterprise Funds: To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The Village has the following significant Enterprise Funds:

- Sewer Fund- This fund receives loans and grants for the planning construction of a wastewater collection system as well as user fees from residents for the operation of the system.

**VILLAGE OF JUNCTION CITY**  
**PERRY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

- Water Fund- This fund receives charges for services from residents to cover the cost of providing water services.
- Debt Service Fund- This fund receives special assessments from property owners to cover debt payments related to the sewer plant.

Fiduciary Fund Types: These funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The Village's fiduciary funds include:

- Mayor's Court- This agency fund accounts for receipts and disbursements of the Mayor's Court.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Fiscal Officer by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Fiscal Officer sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Fiscal Officer identifies decreases in revenue.

**VILLAGE OF JUNCTION CITY**  
**PERRY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS- (Continued)

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2010 and 2011. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

F. 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.

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

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



**VILLAGE OF JUNCTION CITY  
PERRY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

A. FUND BALANCE - (continued)

3. Committed- The Village 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.

4. Assigned- Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restrict 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 the Village Council.

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

The 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.

G. PROPERTY, PLANT AND EQUIPMENT

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

H. ACCUMULATED LEAVE

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

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2011</u>	<u>2010</u>
Demand Deposits	\$765,664	\$678,170

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

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

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

<u>2011 Budgeted vs Actual Receipts</u>			
<u>Fund:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 66,290	\$ 72,684	\$ 6,394
Special Revenue Funds	201,200	223,888	22,688
Enterprise Fund	308,500	296,173	(12,327)

<u>2011 Budgeted vs Actual Budgetary Basis Disbursements</u>			
<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General Fund	\$ 78,615	\$ 61,686	\$ 16,929
Special Revenue Funds	390,593	174,137	216,456
Enterprise Fund	456,740	270,158	186,582

<u>2010 Budgeted vs Actual Receipts</u>			
<u>Fund:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 64,850	\$ 67,663	\$ 2,813
Special Revenue Funds	201,800	256,600	54,800
Enterprise Fund	273,500	274,070	570

<u>2010 Budgeted vs Actual Budgetary Basis Disbursements</u>			
<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General Fund	\$ 95,684	\$ 77,644	\$ 18,040
Special Revenue Funds	392,593	280,946	111,647
Enterprise Fund	476,800	327,924	148,876

5. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

5. RETIREMENT SYSTEM-(Continued)

Contribution rates are prescribed by the Ohio Revised Code. For 2011 and 2010 OPERS, members contributed 10.00% of their gross pay while the Village contributed an amount equal to 14.00% of covered payroll. The Village paid all required contributions through 2011.

6. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

**RISK POOL MEMBERSHIP**

The Village belongs to the Ohio Plan Risk Management, Inc., formerly known as the Ohio Risk Management Plan (the Plan).

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

6. RISK MANAGEMENT – (Continued)

RISK POOL MEMBERSHIP – (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political subdivisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

	<b>2011</b>	<b>2010</b>
	<b>OPRM</b>	<b>OPRM</b>
Assets	\$12,051,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members’ Equity	\$7,172,519	\$7,191,485

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

There have been no significant reductions in insurance coverage from the prior fiscal years and settled claims have not exceeded this commercial coverage in any of the last three years. The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY, OHIO  
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For the Years Ended December 31, 2011 and 2010**

7. DEBT

Debt outstanding at December 31, 2011 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Peoples National Bank	\$ 9,108	5.50%
OWDA #1651	20,368	7.24%
OWDA #4195	71,888	4.10%
OPWC #CR723	5,471	2.00%
	<u>\$ 106,835</u>	

The beginning debt balance was overstated by \$4,839.

The Ohio Water Development Authority (OWDA #1651) loan was issued in 1991 for improvements to Village water system. The original amount of the loan was \$284,000, with semi-annual payments of \$10,923. The loan matures in 2013 and is being repaid via water revenues.

The Ohio Public Works Commission (OPWC) Water System Loan was issued in 1991 for improvements to the Village water system. The original amount of the loan was \$31,000, with semiannual payments of \$944. The loan matures in 2015 and is being repaid via water revenues.

The Peoples National Bank loan was issued in 2006 for the purchase of a Rescue Truck for the Junction City Volunteer Fire Department. The amount of the loan was \$210,000 with quarterly payments of \$5,680. The loan matures in 2017 and will be repaid via revenues from tax levies.

The Ohio Water Development Authority (OWDA #4195) Wastewater Treatment Plant loan was issued in 2005 for improvements to the wastewater treatment plant. The original amount of the loan was \$97,300, with semi-annual payments of \$2,429. The loan matures in 2034 and will be repaid via sewer revenues.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2011 are as follows:

<u>Year Ending</u>	<u>Loan Peoples National Bank</u>		
<u>December 31</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
2012	<u>\$ 9,283</u>	<u>\$ 9,108</u>	<u>\$ 175</u>

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

7. DEBT - (Continued)

Year Ending December 31	Loan OWDA 1651		
	Payment	Principal	Interest
2012	\$ 21,842	\$ 20,368	\$ 1,474

Year Ending December 31	Loan OWDA 4195		
	Payment	Principal	Interest
2012	\$ 4,857	\$ 1,929	\$ 2,928
2013	4,857	2,009	2,848
2014	4,858	2,093	2,765
2015	4,858	2,180	2,678
2016	4,856	2,269	2,587
2017-2021	24,285	12,838	11,447
2022-2026	24,285	15,725	8,560
2027-2031	24,286	19,264	5,022
2032-2034	14,569	13,581	988
Totals	\$ 111,711	\$ 71,888	\$ 39,823

Year Ending December 31	Loan OPWC CR723		
	Payment	Principal	Interest
2012	\$ 1,888	\$ 1,788	\$ 100
2013	1,888	1,824	64
2014	1,887	1,859	28
Totals	\$ 5,663	\$ 5,471	\$ 192

**VILLAGE OF JUNCTION CITY**  
**PERRY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

8. CHANGE IN ACCOUNTING PRINCIPLE

For 2010, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.



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Fax - (216) 436-2411

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

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

Village of Junction City  
Perry County  
PO Box 105  
Junction City, Ohio 43748

To the Village Council:

We have audited the financial statements of the Village of Junction City, Perry County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 31, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and implemented GASB Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

*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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## 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, providing an opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, members of the Village Council, and others within the Village. We intend it for no one other than these specified parties.

*Charles E. Harris*

*Charles E. Harris and Associates, Inc.*

July 31, 2012

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ended December 31, 2009 and 2008, reported no material citations or recommendations.

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# Dave Yost • Auditor of State

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  
DECEMBER 20, 2012