

VILLAGE OF JUNCTION CITY

PERRY COUNTY, OHIO

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021





88 East Broad Street
Columbus, Ohio 43215
IPARreport@ohioauditor.gov
(800) 282-0370

Village Council
Village of Junction City
PO Box 105
Junction City, OH 43748-0105

We have reviewed the *Independent Auditor's Report* of the Village of Junction City, Perry County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2021 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

November 15, 2023

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VILLAGE OF JUNCTION CITY
PERRY COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Junction City
Perry County
216 W. Main Street
P.O. Box 105
Junction City, Ohio 43748

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Junction City, Perry County, Ohio (the Village), which comprise the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2022, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2022 and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2022 or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Charles E. Harris & Associates, Inc.

Charles E. Harris & Associates, Inc.
September 22, 2023

**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, 2022**

| | General | Special Revenue | Totals (Memorandum Only) |
|-----------------------------------------|---------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$ 23,465 | \$ 7,298 | \$ 30,763 |
| Intergovernmental | 22,970 | 84,131 | 107,101 |
| Charges for Services | - | 501,238 | 501,238 |
| Fines, Licenses and Permits | 9,669 | - | 9,669 |
| Earnings on Investments | 3,166 | 385 | 3,551 |
| Miscellaneous | 2,276 | 13,566 | 15,842 |
| | <u>61,546</u> | <u>606,618</u> | <u>668,164</u> |
| <i>Total Cash Receipts</i> | | | |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons and Property | 42,426 | 236,738 | 279,164 |
| Leisure Time Activities | 2,729 | 3,650 | 6,379 |
| Transportation | - | 50,422 | 50,422 |
| General Government | 25,911 | 56,494 | 82,405 |
| | <u>71,066</u> | <u>347,304</u> | <u>418,370</u> |
| <i>Total Cash Disbursements</i> | | | |
| <i>Net Change in Fund Cash Balances</i> | (9,520) | 259,314 | 249,794 |
| <i>Fund Cash Balances, January 1</i> | 14,654 | 251,528 | 266,182 |
| | <u>14,654</u> | <u>251,528</u> | <u>266,182</u> |
| <i>Fund Cash Balances, December 31</i> | \$ 5,134 | \$ 510,842 | \$ 515,976 |
| | <u>5,134</u> | <u>510,842</u> | <u>515,976</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2022**

| | Proprietary Fund Type |
|-----------------------------------------------------|--------------------------|
| | Enterprise |
| Operating Cash Receipts | |
| Charges for Services | \$ 329,300 |
| <i>Total Operating Cash Receipts</i> | 329,300 |
| Operating Cash Disbursements | |
| Personal Services | 67,689 |
| Fringe Benefits | 8,081 |
| Contractual Services | 119,917 |
| Supplies and Materials | 104,991 |
| Other | 2,256 |
| <i>Total Operating Cash Disbursements</i> | 302,934 |
| <i>Operating Income</i> | 26,366 |
| Non-Operating Receipts (Disbursements) | |
| Principal Retirement | (23,206) |
| Interest and Other Fiscal Charges | (6,366) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (29,572) |
| <i>Net Change in Fund Cash Balances</i> | (3,206) |
| <i>Fund Cash Balances, January 1</i> | 387,018 |
| <i>Fund Cash Balances, December 31</i> | \$ 383,812 |

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

Village of Junction City
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The Village of Junction City, Perry County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police services, fire services, and emergency management services (EMS).

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

Note 2 – Summary of Significant Accounting Policies

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 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, 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, construction of a wastewater collection system as well as user fees for the operation of the system.

Village of Junction City
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 disbursements 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 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund 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. Unencumbered appropriations lapse at year end.

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

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

A summary of 2022 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.

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.

Village of Junction City
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

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 (ordinance or resolution). The Village must adhere to these commitments unless Council amends the ordinance or 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. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

Village of Junction City
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2022 follows:

| 2022 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 56,597 | \$ 61,546 | \$ 4,949 |
| Special Revenue | 415,222 | 606,618 | 191,396 |
| Enterprise | 303,100 | 329,300 | 26,200 |

| 2022 Budgeted vs. Actual Budgetary Basis Disbursements | | | |
|--------------------------------------------------------|----------------------------|----------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
| General | \$ 73,974 | \$ 76,900 | \$ (2,926) |
| Special Revenue | 427,751 | 349,030 | 78,721 |
| Enterprise | 429,097 | 333,556 | 95,541 |

Contrary to Ohio Revised Code Section 5705.41(B), expenditures exceeded appropriation authority in various funds. Contrary to Ohio Revised Code Section 5705.41(D), certain disbursements were not properly certified prior to commitment to expend the funds.

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. A summary of the Village’s deposit accounts are as follows:

| | 2022 |
|-------------------------------------|------------|
| <i>Cash Management Pool:</i> | |
| Demand deposits | \$ 899,788 |

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the Village does not have any unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Depository Insurance; 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.

Village of Junction City
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 6 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years. There were no significant reductions in coverage from prior year.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All of the Village’s 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, 2022.

Note 8 – Postemployment Benefit

OPERS 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 OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4% during calendar year 2022.

Village of Junction City
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 8 – Postemployment Benefit (Continued)

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 9 – Debt

Debt outstanding at December 31, 2022 was as follows:

| | 2022 Principal | Interest Rate |
|--------------|-------------------|------------------|
| OWDA - 4195 | \$ 45,676 | 4.10% |
| OWDA - 7065 | 80,511 | 1.30% |
| OWDA - 8936 | 6,459 | 0.50% |
| OPWC - CR13R | 159,976 | 0.00% |
| Total | \$ 292,622 | |

The Ohio Water Development Authority (OWDA) loan relates to loan account number 4195 which was given in 2005 in the amount of \$83,408. This loan was for sewer lines and sewer plant construction. The Village will repay this loan in semiannual installments of \$2,400, including interest, over 30 years.

The Ohio Water Development Authority (OWDA) loan relates to loan account number 7065 which was given in 2016 in the amount of \$100,618. This loan was for the 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 Ohio Water Development Authority (OWDA) loan relates to loan account number 8936 which was given in 2020 for the purchase of upgraded water meter equipment. The Village will repay this loan in semiannual installments of \$1,304 for 5 years.

Ohio Public Works Commission relates to loan number CR13R which was given in 2016 in the amount of \$195,889. This loan was for the installation of meter pits and replacing all the water meters in the Village. The Village will repay this loan in semiannual installments of \$3,265; this loan is interest free, over 30 years. The Village has agreed to set utility rates to cover OWDA and OPWC debt service requirements.

Village of Junction City
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 9 – Debt – (Continued)

Amortization

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

| Year | OPWC | OWDA |
|-----------|------------|------------|
| 2023 | \$ 6,530 | \$ 11,475 |
| 2024 | 6,530 | 11,478 |
| 2025 | 6,530 | 11,481 |
| 2026 | 6,530 | 8,888 |
| 2027 | 6,530 | 8,888 |
| 2028-2032 | 32,650 | 43,508 |
| 2033-2037 | 32,650 | 33,388 |
| 2038-2042 | 32,650 | 20,405 |
| 2043-2047 | 29,376 | 16,244 |
| Total | \$ 159,976 | \$ 165,755 |

Note 10 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the balances of these amounts were as follows:

| Fund Balances | General | Special Revenue | Total |
|--------------------------|----------|--------------------|----------|
| Outstanding Encumbrances | \$ 5,834 | \$ 1,726 | \$ 7,560 |

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue fund include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

INDEPENDENT AUDITOR'S REPORT

Village of Junction City
Perry County
216 W. Main Street
P.O. Box 105
Junction City, Ohio 43748

Report on the Audit of the Financial Statements

Qualified and Adverse Opinions

We have audited the financial statements of the Village of Junction City, Perry County, Ohio (the Village), which comprise the cash balances, receipts and disbursements for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the limitation described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting*, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021, or the changes in financial position or cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Regulatory Basis of Accounting

We are unable to determine water and sewer charges for services in the Enterprise Funds from January 2021 through June 2021 billings due to loss of electronic data in the amount of \$143,633 which is 45% of total Enterprise revenue. We were unable to obtain assurances over completeness for the Charges for Services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we


- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
September 22, 2023

**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, 2021**

| | General | Special Revenue | Totals (Memorandum Only) |
|-----------------------------------------|------------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$ 22,686 | \$ 7,071 | \$ 29,757 |
| Intergovernmental | 23,094 | 152,724 | 175,818 |
| Charges for Services | - | 250,673 | 250,673 |
| Fines, Licenses and Permits | 10,370 | - | 10,370 |
| Earnings on Investments | 301 | 35 | 336 |
| Miscellaneous | 8,706 | 4,661 | 13,367 |
| | <u>65,157</u> | <u>415,164</u> | <u>480,321</u> |
| <i>Total Cash Receipts</i> | | | |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons and Property | 38,647 | 296,581 | 335,228 |
| Leisure Time Activities | 4,610 | - | 4,610 |
| Transportation | - | 48,869 | 48,869 |
| General Government | 32,340 | 36,060 | 68,400 |
| | <u>75,597</u> | <u>381,510</u> | <u>457,107</u> |
| <i>Total Cash Disbursements</i> | | | |
| <i>Net Change in Fund Cash Balances</i> | (10,440) | 33,654 | 23,214 |
| <i>Fund Cash Balances, January 1</i> | <u>25,094</u> | <u>217,874</u> | <u>242,968</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 14,654</u> | <u>\$ 251,528</u> | <u>\$ 266,182</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Proprietary Fund Type |
|-----------------------------------------------------|--------------------------|
| | Enterprise |
| Operating Cash Receipts | |
| Charges for Services | \$ 316,118 |
| <i>Total Operating Cash Receipts</i> | 316,118 |
| Operating Cash Disbursements | |
| Personal Services | 51,240 |
| Fringe Benefits | 7,473 |
| Contractual Services | 137,765 |
| Supplies and Materials | 82,150 |
| Other | 2,804 |
| <i>Total Operating Cash Disbursements</i> | 281,432 |
| <i>Operating Income</i> | 34,686 |
| Non-Operating Receipts (Disbursements) | |
| Principal Retirement | (10,647) |
| Interest and Other Fiscal Charges | (1,618) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (12,265) |
| <i>Net Change in Fund Cash Balances</i> | 22,421 |
| <i>Fund Cash Balances, January 1</i> | 364,597 |
| <i>Fund Cash Balances, December 31</i> | \$ 387,018 |

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

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

**STATEMENT OF ADDITIONS, DEDUCTIONS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2021**

| | <u>Custodial</u> |
|----------------------------------------------|--------------------|
| Additions | |
| Fines, Licenses and Permits for Distribution | <u>\$ -</u> |
| <i>Total Additions</i> | <u>-</u> |
| | |
| Deductions | |
| Distributions to Other Organization | <u>674</u> |
| <i>Total Deductions</i> | <u>674</u> |
| | |
| Net Change in Fund Balances | (674) |
| | |
| <i>Fund Cash Balances, January 1</i> | <u>674</u> |
| | |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$ -</u></u> |

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

Village of Junction City
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The Village of Junction City, Perry County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police services, fire services, and emergency management services (EMS).

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

Note 2 – Summary of Significant Accounting Policies

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 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, 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, construction of a wastewater collection system as well as user fees for the operation of the system.

Village of Junction City
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 disbursements 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 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund 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. Unencumbered appropriations lapse at year end.

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

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

A summary of 2021 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.

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.

Village of Junction City
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

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 (ordinance or resolution). The Village must adhere to these commitments unless Council amends the ordinance or 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. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

Village of Junction City
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2021 follows:

| 2021 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 61,853 | \$ 65,157 | \$ 3,304 |
| Special Revenue | 187,815 | 415,164 | 227,349 |
| Enterprise | 247,000 | 316,118 | 69,118 |

| 2021 Budgeted vs. Actual Budgetary Basis Disbursements | | | |
|--------------------------------------------------------|----------------------------|----------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
| General | \$ 85,385 | \$ 77,421 | \$ 7,964 |
| Special Revenue | 407,597 | 382,457 | 25,140 |
| Enterprise | 440,310 | 294,975 | 145,335 |

Contrary to Ohio Revised Code Section 5705.41(B), expenditures exceeded appropriation authority in the EMS Fund. Contrary to Ohio Revised Code Section 5705.41(D), certain disbursements were not properly certified prior to commitment to expend the funds.

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. A summary of the Village’s deposit accounts are as follows:

| | 2021 |
|-------------------------------------|------------|
| <i>Cash Management Pool:</i> | |
| Demand deposits | \$ 653,200 |

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Village does not have any unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Depository Insurance; 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.

Village of Junction City
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 6 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years. There were no significant reductions in coverage from prior year.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All of the Village’s 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, 2021.

Note 8 – Postemployment Benefit

OPERS 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 OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4% during calendar year 2021.

Village of Junction City
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Debt

Debt outstanding at December 31, 2021 was as follows:

| | Principal | Interest Rate |
|--------------|------------|------------------|
| OWDA - 4195 | \$ 51,323 | 4.10% |
| OWDA - 7065 | 86,434 | 1.30% |
| OWDA - 8936 | 11,565 | 0.50% |
| OPWC - CR13R | 166,506 | 0.00% |
| Total | \$ 315,828 | |

Total ending principal balances were incorrect in the prior year. The ending principal balance should have been \$326,475.

The Ohio Water Development Authority (OWDA) loan relates to loan account number 4195 which was given in 2005 in the amount of \$83,408. This loan was for sewer lines and sewer plant construction. The Village will repay this loan in semiannual installments of \$2,400, including interest, over 30 years.

The Ohio Water Development Authority (OWDA) loan relates to loan account number 7065 which was given in 2016 in the amount of \$100,618. This loan was for the 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 Ohio Water Development Authority (OWDA) loan relates to loan account number 8936 which was given in 2020 for the purchase of upgraded water meter equipment. The Village will repay this loan in semiannual installments of \$1,304 for 5 years.

Ohio Public Works Commission relates to loan number CR13R which was given in 2016 in the amount of \$195,889. This loan was for the installation of meter pits and replacing all the water meters in the Village. The Village will repay this loan in semiannual installments of \$3,265; this loan is interest free, over 30 years. The Village has agreed to set utility rates to cover OWDA and OPWC debt service requirements.

Village of Junction City
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Debt – (continued)

Amortization

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

| Year | OPWC | OWDA |
|-----------|------------|------------|
| 2022 | \$ 6,530 | \$ 11,475 |
| 2023 | 6,530 | 11,478 |
| 2024 | 6,530 | 11,481 |
| 2025 | 6,530 | 11,491 |
| 2026 | 5,630 | 11,491 |
| 2027-2031 | 32,650 | 43,508 |
| 2032-2036 | 32,650 | 37,749 |
| 2037-2041 | 32,650 | 20,405 |
| 2042-2046 | 36,806 | 20,305 |
| Total | \$ 166,506 | \$ 179,383 |

Note 10 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the balances of these amounts were as follows:

| Fund Balances | General | Special Revenue | Total |
|--------------------------|----------|--------------------|----------|
| Outstanding Encumbrances | \$ 1,824 | \$ 947 | \$ 2,771 |

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue fund include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

5510 Pearl Road, Ste 102

Parma, OH 44129-2527

Office phone - (216) 575-1630

Fax - (216) 436-2411

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

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

Village of Junction City
Perry County
216 W. Main Street
P.O. Box 105

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type for the year ended December 31, 2022 and for each governmental, proprietary and fiduciary fund type for the year ended December 31, 2021 of the Village of Junction City, Perry County, (the Village), and the related notes to the financial statements, and have issued our report thereon dated September 22, 2023 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We qualified our opinion on the Charges for Services receipts for 2021 as we were unable to assure completeness over those receipts.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2022-001 through 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2022-004 and 2022-005.

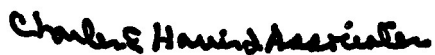
We also noted certain other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 22, 2023.

Village's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's responses to the findings identified in our audit and described in the accompanying Corrective Action Plan. The Village's responses are not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the responses.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.

September 22, 2023

Village of Junction City
Perry County
Schedule of Findings
December 31, 2022 and 2021

| |
|----------------------------------------------------------------------------------------------------------|
| Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS |
|----------------------------------------------------------------------------------------------------------|

FINDING NUMBER 2022-001 - Material Weakness

Missing Utility Receipts

During 2021, the Village utility department had a computer malfunction and lost all records for 6 of the 12 months. We noted the following.

- First 6 months of 2021 utility receipts were missing.
- All electronic utility receipts and stubs missing for the first 6 months of 2021.
- No adjustment reports available for the first 6 months of 2021.
- No audit evidence of management’s approval of adjustments of utility customer accounts.
- No backing up of computers daily for the utility department.

As a result, completeness over utility receipts reported could not be reasonably assured.

The Village should design and operate 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. In addition, the Village should have internal controls sufficient to assure that recorded transactions have occurred and are not fictitious.

The Village should implement a process to do a daily back-up of utility software or saving utility reports outside of SSI Software and/or printing monthly utility reports. This will ensure that all utility data will be preserved in the event a computer malfunction or other catastrophe.

Management’s Response:

See Corrective Action Plan

Village of Junction City
Perry County
Schedule of Findings
December 31, 2022 and 2021

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS – (Continued)**

FINDING 2022-002 – Material Weakness

Appropriations and Estimated Receipts Posted to the Accounting System

The Village did not have a control procedure in place to ensure that budgetary amounts, as authorized by Village Council and approved by the County Budget Commission, were reconciled to the budgetary amounts posted to the accounting system. This resulted in incorrect amounts being recorded in the accounting system and inaccurate budgetary information available to Village officials for their monitoring.

Variances between approved appropriation amounts and amounts recorded in the UAN system at December 31, 2022 and 2021 were as follows:

| 2022 | | | Appropriations | |
|---------------------------------|--------------------------------------------------|--|--------------------------------------------|-----------------|
| Fund | Appropriations Approved by Resolution | | Posted to the Accounting System | Variance |
| General Fund | \$ 72,150 | | \$ 76,998 | \$ (4,848) |
| Street | 66,300 | | 67,252 | (952) |
| Parks and Recreation | - | | 3,500 | (3,500) |
| EMS | 114,800 | | 133,800 | (19,000) |
| Police Department K-9 | 3,000 | | 9,184 | (6,184) |
| Water Operating | 243,880 | | 244,380 | (500) |
| Enterprise Debt Service - Water | 16,700 | | 23,900 | (7,200) |
| Enterprise Debt Service - Sewer | 9,000 | | 11,500 | (2,500) |
| | | | | |
| 2021 | | | Appropriations | |
| Fund | Appropriations Approved by Resolution | | Posted to the Accounting System | Variance |
| General Fund | \$ 85,385 | | \$ 96,185 | \$ (10,800) |
| Coronavirus Relief | 7,072 | | 8,633 | (1,561) |
| Fire | 168,950 | | 173,600 | (4,650) |
| EMS | 113,123 | | 168,123 | (55,000) |
| Water Operating | 223,885 | | 226,355 | (2,470) |
| Sewer Operating | 135,355 | | 140,855 | (5,500) |

Variances between approved estimated receipt amounts and amounts recorded in the UAN system at December 31, 2022 and 2021 were as follows:

Village of Junction City
Perry County
Schedule of Findings
December 31, 2022 and 2021

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS – (Continued)**

FINDING 2022-002 – Material Weakness (Continued)

Appropriations and Estimated Receipts Posted to the Accounting System (Continued)

| 2022 | Estimated Receipts | | |
|---------------------------------|-------------------------------------------------------|--------------------------------------------|-----------------|
| Fund | Estimated Receipts per Amended Certificate | Posted to the Accounting System | Variance |
| General Fund | \$ 56,597 | \$ 61,699 | \$ (5,102) |
| Street | 33,067 | 50,778 | (17,711) |
| State Highway | 2,265 | 3,127 | (862) |
| Parks and Recreation | - | 3,850 | (3,850) |
| Fire | 210,300 | 336,267 | (125,967) |
| EMS | 121,000 | 175,970 | (54,970) |
| Police Department K-9 | 5,691 | 9,184 | (3,493) |
| Water Operating | 141,100 | 170,029 | (28,929) |
| Sewer Operating | 121,100 | 134,889 | (13,789) |
| Enterprise Debt Service - Water | 20,800 | 14,100 | 6,700 |
| Enterprise Debt Service - Sewer | 15,600 | 13,100 | 2,500 |

| 2021 | Estimated Receipts | | |
|---------------------------------|-------------------------------------------------------|--------------------------------------------|-----------------|
| Fund | Estimated Receipts per Amended Certificate | Posted to the Accounting System | Variance |
| General Fund | \$ 61,853 | \$ 74,082 | \$ (12,229) |
| Street | 25,017 | 46,774 | (21,757) |
| State Highway | 2,613 | 4,048 | (1,435) |
| Coronavirus Relief | 42,162 | 44,350 | (2,188) |
| Fire | 50,000 | 200,910 | (150,910) |
| EMS | 68,023 | 154,767 | (86,744) |
| Water Operating | 105,600 | 159,568 | (53,968) |
| Sewer Operating | 114,400 | 130,237 | (15,837) |
| Enterprise Debt Service - Water | 12,000 | 15,952 | (3,952) |
| Enterprise Debt Service - Sewer | 10,000 | 14,948 | (4,948) |
| Enterprise Deposit | 5,000 | 5,661 | (661) |

Village officials should be monitoring the budgetary activity in order to make informed decisions regarding Village finances. The proper recording of budgetary activity in the UAN system provides safeguards as the system is designed to let the fiscal officer know if budgetary violations will occur. Adjustments were made to the budgetary activity reported in notes to the financial statements in order to accurately present estimated receipts as certified by the County Budget Commission and appropriations plus carryover appropriations approved by Council.

Village of Junction City
Perry County
Schedule of Findings
December 31, 2022 and 2021

| |
|------------------------------------------------------------------------------------------------------------------------|
| Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS – (Continued) |
|------------------------------------------------------------------------------------------------------------------------|

FINDING 2022-002 – Material Weakness (Continued)

Appropriations and Estimated Receipts Posted to the Accounting System (Continued)

We recommend the Village implement procedures to ensure budgetary amounts are accurately posted to the accounting system and financial statements and reconciled to the amounts approved by Village Council and the budget commission after each amendment.

Management’s Response – See Corrective Action Plan.

FINDING 2022-003 - Material Weakness

Financial Reporting - Posting Receipts and Disbursements

During 2022 and 2021, receipts and disbursements were not always posted or classified correctly. The following posting errors were noted:

For 2022:

- Property Taxes in the amount of \$5,276 was improperly allocated to the Street Fund instead of the General Fund;
- Principal and interest payments on Village debt was incorrectly posted.
- Reclassification from Basic Utility in the Special Revenue Fund to Security of Persons and Property in the amount of \$227,787.

For 2021:

- Property Taxes in the amount of \$2,511 was improperly allocated to the General Fund instead of the Street Construction Maintenance and Repair Fund;
- The Village received grants from the Ohio Department of Public Safety in the amount of \$4,894 which was posted to charges for services instead of intergovernmental.
- Homestead and Rollback in the amount of \$1,019 was posted 100% to the General Fund instead of the Street Construction Maintenance and Repair Fund;
- Principal and interest payments on Village debt was incorrectly posted.
- Reclassification from Basic Utility in the Special Revenue Fund to Security of Persons and Property in the amount of \$291,582.
- Reclassification from Capital Outlay in the Special Revenue Fund to Security of Persons and Property in the amount of \$5,000.
- The Custodial fund financial statement was not included in the reporting package.

Not posting receipts and disbursements correctly resulted in the financial statements and Village records requiring reclassification and adjusting entries. The financial statements and Village records reflect all reclassifications and adjustments.

Village of Junction City
Perry County
Schedule of Findings
December 31, 2022 and 2021

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|------------------------------------------------------------------------------------------------------------------------|
| Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS – (Continued) |
|------------------------------------------------------------------------------------------------------------------------|

FINDING 2022-003 - Material Weakness – (Continued)

Financial Reporting - Posting Receipts and Disbursements – (Continued)

Also, during 2022 and 2021 aspects of the notes to the financial statements were corrected from the Hinkle filing to agree to the financial statements in the audit report and to include all necessary note disclosures. We made corrections to the following note disclosures:

- Budgetary
- Fund Balances
- Debt
- Deposit
- Risk Management
- Defined Benefit Pension Plan
- Postemployment Benefit

We recommend the Fiscal Officer refer to the Village Officers’ Handbook, Uniform Accounting Network (UAN) Manual and Auditor of State guidance to determine the proper establishment of disbursement accounts and proper posting. Also, to help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements and notes to the financial statements. Such review should include procedures to ensure that all receipts and disbursements are properly identified and classified on the financial statements. We recommend the Village use the most current available templates for financial statements and notes to the financial statements on the Auditor of State’s website <http://www.ohioauditor.gov/references/shells/regulatory.html> to prepare an accurate annual financial report.

Management’s Response – See Corrective Action Plan.

Village of Junction City
Perry County
Schedule of Findings
December 31, 2022 and 2021

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| Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS – (Continued) |
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FINDING 2022-004 – Noncompliance

Expenditures Exceeding Appropriations

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, in 2021, the EMS Fund had expenditures in excess of appropriations of \$33,691.

In 2022, the following funds expenditures in excess of appropriations:

| | |
|---------------------------------|----------|
| General | \$ 2,926 |
| Parks and Recreation | 3,650 |
| Police Department K-9 | 5,951 |
| Enterprise Debt Service - Water | 3,023 |
| Enterprise Deposit | 2,257 |

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Village Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

FINDING 2022-005 – Noncompliance

Certifying the Availability of Funds

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision’s fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

Village of Junction City
Perry County
Schedule of Findings
December 31, 2022 and 2021

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|------------------------------------------------------------------------------------------------------------------------|
| Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS – (Continued) |
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FINDING 2022-005 – Noncompliance (Continued)

Certifying the Availability of Funds (Continued)

1. “Then and Now” certificate - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for an ordinance or certain sum of money not in excess of an amount established by ordinance or resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 64% and 58% and of the expenditures tested for 2022 and 2021, respectively.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**
For the Years Ended December 31, 2022 and 2021

SCHEDULE OF PRIOR AUDIT FINDINGS – PREPARED BY MANAGEMENT

| FINDING NUMBER | FINDING SUMMARY | STATUS | ADDITIONAL INFORMATION |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------------------|
| 2020-001 | Audit Adjustment or Reclassifications | Not Corrected | |
| 2020-002 | Ohio Rev. Code § 5705.41(B) Expenditures in excess of Appropriation | Not Corrected | |
| 2020-003 | Not providing sufficient appropriate audit evidence supporting a member of Village management approved adjustments to customer utility accounts. | Not Corrected | |

VILLAGE OF JUNCTION CITY
PERRY COUNTY

CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2022 and 2021

| FINDING NUMBER | PLANNED CORRECTIVE ACTION | ANTICIPATED COMPLETION DATE | RESPONSIBLE CONTACT PERSON |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------------|
| 2022-001 | The Fiscal Officer will start backing up electronic utility information at end of each day. | Immediately | Tara L. Theado Fiscal Officer |
| 2022-002 | The Fiscal Officer will monitor the budgetary activity and update the UAN System. | Immediately | Tara L. Theado Fiscal Officer |
| 2022-003 | Fiscal Officer will follow the guidance obtained during the current audit process to complete upcoming annual financial reports filed on the Hinkle System. | Immediately | Tara L. Theado Fiscal Officer |
| 2022-004 | The Fiscal Officer will closely monitor expenditures and appropriations and make necessary changes to be in compliance. | Immediately | Tara L. Theado Fiscal Officer |
| 2022-005 | The Fiscal Officer will properly certify all disbursements and approve them prior to Invoices. | Immediately | Tara L. Theado Fiscal Officer |

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF JUNCTION CITY

PERRY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/28/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov