

Village of Junction City

Perry County, Ohio

Regular Audit

For the Years Ended December 31, 2005 and 2004

**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

Village Council  
Village of Junction City  
P. O. Box 105  
Junction City, Ohio 43748

We have reviewed the *Independent Auditor's Report* of the Village of Junction City, Perry County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 *Independent Auditor's Report* 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 *Independent Auditor's Report* 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 1, 2006

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**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

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Ohio Society of Certified Public Accountants

**Independent Auditor's Report**

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

We have audited the accompanying financial statements of the Village of Junction City, Perry County, (the Village) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to 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 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 accounting principles generally accepted in the United States of America, we presume they are material.

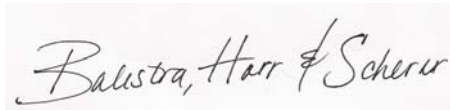
Revisions to GAAP require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 (and 2004), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their financial statement amounts, the following paragraph does not imply the amounts are materially misstated under 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 paragraph, the financial statements referred to above for the year ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village's combined funds as of December 31, 2005 and 2004, or their changes in financial position 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 of Village of Junction City, Perry County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion & Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with Government Auditing Standards, We have also issued our report dated August 31, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. The 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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

August 31, 2006

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -  
FOR THE YEAR ENDED DECEMBER 31, 2005**

|  | <u>Governmental Fund Types</u> |                            |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|--------------------------------|----------------------------|-----------------------------|---|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> |   |
| <b>Cash Receipts:</b>  |                                |                            |                             |   |
| Property Tax and Other Local Taxes   | \$24,342                       | \$7,196                    | \$0                         | \$31,538                                |
| Intergovernmental Revenue  | 45,659                         | 55,154                     | 188,518                     | 289,331                                 |
| Charges for Services   | 385                            | 123,641                    | -                           | 124,026                                 |
| Fines, Licenses, and Permits   | 5,082                          | 85                         | -                           | 5,167                                   |
| Earnings on Investments  | 7,537                          | 1,540                      | -                           | 9,077                                   |
| Miscellaneous  | 17,160                         | 12,333                     | -                           | 29,493                                  |
| <b>Total Cash Receipts</b>   | <u>100,165</u>                 | <u>199,949</u>             | <u>188,518</u>              | <u>488,632</u>                          |
| <b>Disbursements:</b>  |                                |                            |                             |   |
| Security of Persons and Property   | 48,172                         | 116,134                    | -                           | 164,306                                 |
| Leisure Time Activities  | 952                            | -                          | -                           | 952                                     |
| Transportation   | -                              | 45,342                     | -                           | 45,342                                  |
| General Government   | 57,821                         | 261                        | -                           | 58,082                                  |
| Debt Service:  |                                |                            |                             |   |
| Principal Payments   | -                              | 12,812                     | -                           | 12,812                                  |
| Interest Payments  | -                              | 1,355                      | -                           | 1,355                                   |
| Capital Outlay   | -                              | -                          | 185,481                     | 185,481                                 |
| <b>Total Cash Disbursements</b>  | <u>106,945</u>                 | <u>175,904</u>             | <u>185,481</u>              | <u>468,330</u>                          |
| <b>Total Cash Receipts Over/(Under) Cash Disbursements</b>   | <u>(6,780)</u>                 | <u>24,045</u>              | <u>3,037</u>                | <u>20,302</u>                           |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements and<br>Other Financing Disbursements | <u>(6,780)</u>                 | <u>24,045</u>              | <u>3,037</u>                | <u>20,302</u>                           |
| Fund Cash Balances, January 1, 2005  | <u>39,512</u>                  | <u>244,916</u>             | <u>-</u>                    | <u>284,428</u>                          |
| <b>Fund Cash Balances, December 31, 2005</b>   | <u><b>\$32,732</b></u>         | <u><b>\$268,961</b></u>    | <u><b>\$3,037</b></u>       | <u><b>\$304,730</b></u>                 |

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



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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

|  | <b>Enterprise</b> |
|--|-------------------|
| <b>Operating Cash Receipts:</b>              |                   |
| Charges for Services                         | \$252,492         |
| Miscellaneous                                | 19,760            |
| Total Operating Cash Receipts                | 272,252           |
| <b>Operating Cash Disbursements:</b>         |                   |
| Personal Services                            | 42,194            |
| Travel Transportation                        | 3,282             |
| Contractual Services                         | 98,223            |
| Supplies and Materials                       | 28,828            |
| Other  | 11,374            |
| Capital Outlay                               | 83,032            |
| Total Operating Cash Disbursements           | 266,933           |
| <b>Operating Income/(Loss)</b>               | 5,319             |
| <b>Non-Operating Cash Receipts:</b>          |                   |
| Earnings on Investments                      | 8,865             |
| Sale of Notes                                | 83,008            |
| Special Assessment                           | 18,903            |
| Total Non-Operating Cash Receipts            | 110,776           |
| <b>Non-Operating Cash Disbursements:</b>     |                   |
| Miscellaneous                                | 15,388            |
| Principal Payments                           | 35,495            |
| Interest Payments                            | 16,754            |
| Other Financing Uses                         | 7,382             |
| Total Non-Operating Cash Disbursements       | 75,019            |
| Income/(Loss) Before Transfer and Advances   | 41,076            |
| Transfers In                                 | 46,309            |
| Transfers Out                                | (46,309)          |
| Net Income/(Loss)                            | 41,076            |
| Fund Cash Balances, January 1, 2005          | 289,597           |
| <b>Fund Cash Balances, December 31, 2005</b> | <b>\$330,673</b>  |

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|  | <u>Governmental Fund Types</u> |                            |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|--------------------------------|----------------------------|-----------------------------|---|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> |   |
| <b>Cash Receipts:</b>  |                                |                            |                             |   |
| Property Tax and Other Local Taxes   | \$23,011                       | \$7,231                    | \$0                         | \$30,242                                |
| Intergovernmental Revenue  | 25,125                         | 40,634                     | 26,696                      | 92,455                                  |
| Charges for Services   | 385                            | 134,489                    | -                           | 134,874                                 |
| Fines, Licenses, and Permits   | 32                             | 298                        | -                           | 330                                     |
| Earnings on Investments  | 7,222                          | 1,762                      | -                           | 8,984                                   |
| Miscellaneous  | 21,575                         | 1,736                      | -                           | 23,311                                  |
| Total Cash Receipts  | <u>77,350</u>                  | <u>186,150</u>             | <u>26,696</u>               | <u>290,196</u>                          |
| <b>Disbursements:</b>  |                                |                            |                             |   |
| Security of Persons and Property   | 48,164                         | 94,532                     | -                           | 142,696                                 |
| Leisure Time Activities  | 7,745                          | -                          | -                           | 7,745                                   |
| Transportation   | -                              | 39,793                     | -                           | 39,793                                  |
| General Government   | 46,723                         | 310                        | -                           | 47,033                                  |
| Debt Service:  |                                |                            |                             |   |
| Principal Payments   | -                              | 19,253                     | -                           | 19,253                                  |
| Interest Payments  | -                              | 2,104                      | -                           | 2,104                                   |
| Capital Outlay   | -                              | -                          | 26,696                      | 26,696                                  |
| Total Cash Disbursements   | <u>102,632</u>                 | <u>155,992</u>             | <u>26,696</u>               | <u>285,320</u>                          |
| <b>Total Cash Receipts Over/(Under) Cash Disbursements</b>   | <u>(25,282)</u>                | <u>30,158</u>              | <u>-</u>                    | <u>4,876</u>                            |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements and<br>Other Financing Disbursements | <u>(25,282)</u>                | <u>30,158</u>              | <u>-</u>                    | <u>4,876</u>                            |
| Fund Cash Balances, January 1, 2004  | <u>64,794</u>                  | <u>214,758</u>             | <u>-</u>                    | <u>279,552</u>                          |
| <b>Fund Cash Balances, December 31, 2004</b>   | <u><b>\$39,512</b></u>         | <u><b>\$244,916</b></u>    | <u><b>\$0</b></u>           | <u><b>\$284,428</b></u>                 |

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|  | <b>Enterprise</b> |
|--|-------------------|
| <b>Operating Cash Receipts:</b>              |                   |
| Charges for Services                         | \$257,206         |
| Miscellaneous                                | 2,085             |
| Total Operating Cash Receipts                | 259,291           |
| <b>Operating Cash Disbursements:</b>         |                   |
| Personal Services                            | 44,777            |
| Travel Transportation                        | 3,197             |
| Contractual Services                         | 127,599           |
| Supplies and Materials                       | 20,183            |
| Capital Outlay                               |                   |
| Total Operating Cash Disbursements           | 195,756           |
| <b>Operating Income/(Loss)</b>               | <b>63,535</b>     |
| <b>Non-Operating Cash Receipts:</b>          |                   |
| Earnings on Investments                      | 9,059             |
| Total Non-Operating Cash Receipts            | 9,059             |
| <b>Non-Operating Cash Disbursements:</b>     |                   |
| Miscellaneous                                | 9,712             |
| Principal Payments                           | 33,638            |
| Interest Payments                            | 15,287            |
| Other Financing Uses                         | 15,502            |
| Total Non-Operating Cash Disbursements       | 74,139            |
| Net Receipts Over/(Under) Disbursements      | (1,545)           |
| Fund Cash Balances, January 1, 2004          | 291,142           |
| <b>Fund Cash Balances, December 31, 2004</b> | <b>\$289,597</b>  |

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

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the 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. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including park operations. The Junction City Village Volunteer Fire Department provides fire protection services for the Village.

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

**B. Basis of Accounting**

These financial statements follow 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).

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

**C. Cash and Investments**

The Village maintains interest-bearing checking accounts.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds:**

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

*Street Construction, Maintenance and Repair Fund* – This fund receipts gasoline tax and motor vehicle license tax money to construct, maintain and repair Village streets.

*State Highway Improvement Fund* – This fund receipts gasoline tax and motor vehicle license tax money to construct, maintain and repair Village streets.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

*Fire Fund* – This fund receives tax money from Jackson Village to equip, maintain and operate the Village Volunteer Fire Department.

*EMS Fund* – This fund receives tax money from Jackson Village and money from EMS runs to equip, maintain and operate the Village EMS Department.

**3. Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects funds:

*LPA Waterline Replacement Fund* – This fund receives proceeds of an Ohio Public Works Commission Grant. The proceeds are being used to install new water lines in the Village.

**4. Enterprise Funds:**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise funds:

*Water Fund* – This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Fund* – This fund receives charges for services from residents to cover the cost of providing this utility.

*First Mortgage Debt Service Fund* – This fund receives Special Assessments from the property owners to finance payment of the sewer plant.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. 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 also approve estimated resources.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not use the encumbrance method of accounting.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. 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.

**2. EQUITY IN POLLED CASH AND INVESTMENTS**

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 at December 31 was as follows:

|                 |                  |                  |
|-----------------|------------------|------------------|
|                 | <u>2005</u>      | <u>2004</u>      |
| Demand deposits | \$635,403        | \$574,025        |
| Total Deposits  | <u>\$635,403</u> | <u>\$574,025</u> |

**Deposits:** The Village's deposits are ensured by the Federal Deposit Insurance Corporation or collateralized by securities pledged by the financial institution to the Village.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

**2005 Budgeted vs. Actual Receipts**

| Fund Type        | Budgeted<br>Receipts | Actual<br>Receipts | Variance      |
|------------------|----------------------|--------------------|---------------|
| General          | 45,985               | 100,165            | 54,180        |
| Special Revenue  | 170,030              | 199,949            | 29,919        |
| Capital Projects | 300,000              | 188,518            | (111,482)     |
| Enterprise       | 263,400              | 383,028            | 119,628       |
| Total            | <u>779,415</u>       | <u>871,660</u>     | <u>92,245</u> |

**2005 Budgeted vs. Actual Budgetary Basis Expenditures**

| Fund Type        | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance       |
|------------------|----------------------------|---------------------------|----------------|
| General          | 138,650                    | 106,945                   | 31,705         |
| Special Revenue  | 375,490                    | 175,904                   | 199,586        |
| Capital Projects | 400,000                    | 185,481                   | 214,519        |
| Enterprise       | 383,480                    | 341,952                   | 41,528         |
| Total            | <u>1,297,620</u>           | <u>810,282</u>            | <u>487,338</u> |

**2004 Budgeted vs. Actual Receipts**

| Fund Type        | Budgeted<br>Receipts | Actual<br>Receipts | Variance         |
|------------------|----------------------|--------------------|------------------|
| General          | 48,566               | 77,350             | 28,784           |
| Special Revenue  | 146,170              | 186,150            | 39,980           |
| Capital Projects | 300,000              | 26,696             | (273,304)        |
| Enterprise       | 263,400              | 268,350            | 4,950            |
| Total            | <u>758,136</u>       | <u>558,546</u>     | <u>(199,590)</u> |

**2004 Budgeted vs. Actual Budgetary Basis Expenditures**

| Fund Type        | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance       |
|------------------|----------------------------|---------------------------|----------------|
| General          | 99,760                     | 102,632                   | (2,872)        |
| Special Revenue  | 252,395                    | 155,992                   | 96,403         |
| Capital Projects | 300,000                    | 26,696                    | 273,304        |
| Enterprise       | 353,780                    | 269,895                   | 83,885         |
| Total            | <u>1,005,935</u>           | <u>555,213</u>            | <u>450,722</u> |

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. DEBT**

Debt outstanding at December 31, 2005 was as follows:

|                                      | Principal  | Interest<br>Rate |
|--------------------------------------|------------|------------------|
| OWDA Loan                            | \$ 116,750 | 7.24%            |
| OPWC Water System Loan               | 15,482     | 2.00%            |
| OPWC Water Line Loan                 | 3,000      | 0.00%            |
| Promissory Note - Sewer Improvements | 52,725     | 5.25%            |
| Promissory Note - Truck Loan         | 3,147      | 4.00%            |
| Promissory Note - EMS Vehicle        | 21,259     | 4.25%            |
| OWDA Loan - WWTP Improvements        | 95,606     | 4.10%            |
|                                      | \$ 307,969 |                  |

The Ohio Water Development Authority (OWDA) loan was issued in 1991 for improvements to the Village water system. The original amount of the loan was \$248,000, with semi-annual payments of \$10,923. The loan matures in the year 2012 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 semi-annual payments of \$944. The loan matures in the year 2014 and is being repaid via water revenues.

The Ohio Public Works Commission (OPWC) Water Line Loan was issued in 1998 for improvements to the Village water system. The original amount of the loan was \$12,000, with semi-annual payments of \$600. The loan matures in the year 2008 and will be repaid via water revenues.

The Promissory Note – Sewer Improvements was issued in 2000 to refinance the original Farmers Home Administration Sewer Improvement Bond for wastewater plant improvements. The amount of the loan was \$110,000, with monthly payments of \$1,180.43. The loan matures in the year 2010 and will be repaid via sewer revenues.

The Promissory Note – Truck Loan was issued in May 2003 for the purchase of a dump truck for the Street Department. The amount of the loan was \$10,000, with quarterly payments of \$753.19. The loan matures in 2005 and will be repaid via Street Construction Maintenance and Repair Fund revenues.



**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. DEBT (Continued)**

The Promissory Note – EMS Vehicle note was issued in December 2002 for the purchase of an EMS vehicle and is to be the full general obligation of the Village. The amount of the loan was \$50,000, with quarterly payments of \$2,788.36. The loan matures in 2007 and will be repaid via EMS revenues.

The Ohio Water Development Authority (OWDA) 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 \$2,833.11. The loan matures in 2035 and will be repaid via sewer revenues.

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

| Year Ending<br>December 31 | Sewer<br>Promissory<br>Note | OWDA<br>Loans | OPWC<br>Loans | Other<br>Promissory<br>Notes | Total      |
|----------------------------|-----------------------------|---------------|---------------|------------------------------|------------|
| 2006                       | \$14,165                    | \$27,201      | \$3,088       | \$14,300                     | \$58,754   |
| 2007                       | 14,165                      | 27,201        | 3,088         | 11,105                       | 55,559     |
| 2008                       | 14,165                      | 27,201        | 2,488         | -                            | 43,854     |
| 2009                       | 14,165                      | 27,201        | 1,888         | -                            | 43,254     |
| 2010                       | 2,132                       | 27,201        | 1,888         | -                            | 31,221     |
| 2011-2015                  | -                           | 70,047        | 7,553         | -                            | 77,600     |
| 2016-2020                  | -                           | 28,331        | -             | -                            | 28,331     |
| 2021-2025                  | -                           | 28,331        | -             | -                            | 28,331     |
| 2026-2030                  | -                           | 28,331        | -             | -                            | 28,331     |
| 2031-2035                  | -                           | 22,665        | -             | -                            | 22,665     |
| Total                      | \$ 58,792                   | \$ 313,710    | \$ 19,993     | \$ 25,405                    | \$ 417,900 |

**8. RETIREMENT SYSTEMS**

Some of the Village’s employees, as well as the Mayor, Village Clerk, and certain Village Council Members, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. All other employees and Village Council Members that did not belong to PERS contributed to Social Security and Medicare.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, members of PERS contributed 8.5% of gross wages. The Village contributed an amount equal to 13.55% of participants’ gross wages. The Village has paid all contributions required through December 31, 2005.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Public Official’s liability
- Crime and employee dishonesty
- Vehicle

There has been no significant change in coverage from the prior year. Settled claims have not exceeded coverage in any part of the past three year.

# BALESTRA, HARR & SCHERER, CPAs, INC.

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Ohio Society of Certified Public Accountants

## **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***

Members of Council  
Village of Junction City  
P. O. Box 105  
Junction City, Ohio 43748

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, 2005 and 2004, and have issued our report thereon dated August 31, 2006, 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and responses as item 2005-007.

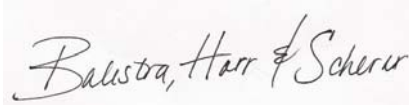
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-006.

Members of Council  
Village of Junction City  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Governmental Auditing Standards*  
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

August 31, 2006

VILLAGE OF JUNCTION CITY  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.34** requires each taxing authority to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the County Auditor before October 1<sup>st</sup> unless a later date is approved by the tax commissioner.

The Village did not certify the necessary tax rates to the County Auditor before October 1<sup>st</sup> for 2005 and 2004.

We recommend the Village certify the necessary tax rates to the County Auditor before October 1<sup>st</sup> for the following year.

FINDING NUMBER 2005-002

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.36** states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the County Auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the previous year.

The Village did not file their Certification of Available Revenue until January 19, 2005 for fiscal year 2005, and February 9, 2004 for fiscal year 2004.

We recommend the Village, on or about the first day of each fiscal year certify to the County Auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the previous year.

FINDING NUMBER 2005-003

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.36(A)(3)** requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue.

The Village's actual receipts in the OPWC Wastewater Project fund exceeded the estimated resources by \$112,006 for 2005.

The Village should obtain an increased amended certificate from the budget commission if the Village intends to appropriate and expend excess revenue.

VILLAGE OF JUNCTION CITY  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-004

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.39** states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Village's appropriations exceeded the total available for expenditure (estimated revenues plus unencumbered fund balances) by \$53,153 in the General Fund, by \$128,080 in the EMS Fund, and by \$100,000 in the FEMA #2 Fund.

We recommend the Village ensure that appropriations do not exceed the total available for expenditure in each fund. If additional money is received throughout the year and the Village desires to increase appropriations, an increased amended certificate should be obtained prior to appropriations made.

FINDING NUMBER 2005-005

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village expended \$73,475 in the FEMA #2 Fund and \$112,006 in the OPWC Wastewater Project Fund without the money being appropriated.

We recommend the Village ensure that no monies be expended without first being appropriated.

VILLAGE OF JUNCTION CITY  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-006

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41(D)** states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$1000 (increased to \$3,000 on April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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.

Funds were not certified prior to purchase commitments being made and no "Then and Now" certificates were obtained for 100% of the transactions tested in 2005 and 2004. This could allow deficit spending to occur.

We recommend the Village not expend funds without obtaining the certificate of the Clerk prior to an obligation being incurred. Such certificate of the Clerk should be signed by the Clerk and evidenced as certified prior to the obligation being incurred or as a "then and now" certificate.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-007**

**Material Weakness**

Rule 117-2-02(A) of the Ohio Administrative Code (OAC), directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, and prepare financial statements required by rule 117-2-03 of the OAC. Rule 117-2-02(C) allows the records to be maintained manually or in a computerized format and requires the following: (1) Cash journal with the amount, date, receipt number, check number, account code, and any other information necessary to properly classify the transaction.

The cash journal maintained by the Village Clerk contained the name, amount, receipt number and check number for the entries. Accounts were not maintained for several funds. The manner in which this ledger was maintained did not accurately report the financial transactions of all of the Village's funds for the years ended December 31, 2005 and 2004 in the financial statements prepared for the Village Council and filed with the Auditor of State.

The Clerk should review the provisions of OAC Rule 117-2-02 and maintain the necessary financial records in the manner prescribed therein.

**VILLAGE OF JUNCTION CITY  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected;<br>Significantly Different Corrective Action<br>Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|--|------------------|--|
| 2003-001       | The Village did not use purchase orders to certify funds prior to expenditure. | No               | Reissued as 2005-006   |
| 2003-002       | The Village did not appropriate funds in 2003 and 2002.                        | No               | Reissued as 2005-005   |





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**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  
NOVEMBER 14, 2006**