



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF JUNCTION CITY
PERRY COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Junction City, Perry County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Junction City, Perry County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Jim Petro
Auditor of State

July 8, 2002

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**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$24,205	\$14,358	\$	\$38,563
Intergovernmental Receipts	30,009	25,488	92,470	147,967
Charges for Services		107,125		107,125
Fines, Licenses, and Permits	290			290
Earnings on Investments	7,499	2,477		9,976
Miscellaneous	4,308	751		5,059
Total Cash Receipts	<u>66,311</u>	<u>150,199</u>	<u>92,470</u>	<u>308,980</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	28,707	83,073		111,780
Leisure Time Activities	258			258
Transportation		26,175		26,175
General Government	19,334	309		19,643
Debt Service:				
Principal Payments		13,726		13,726
Interest Payments		4,675		4,675
Capital Outlay			92,470	92,470
Total Cash Disbursements	<u>48,299</u>	<u>127,958</u>	<u>92,470</u>	<u>268,727</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>18,012</u>	<u>22,241</u>	<u>0</u>	<u>40,253</u>
Other Financing Receipts/(Disbursements):				
Other Disbursements		1,298		1,298
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>18,012</u>	<u>20,943</u>	<u>0</u>	<u>38,955</u>
Fund Cash Balances, January 1	<u>36,246</u>	<u>151,544</u>		<u>187,790</u>
Fund Cash Balances, December 31	<u><u>\$54,258</u></u>	<u><u>\$172,487</u></u>	<u><u>\$0</u></u>	<u><u>\$226,745</u></u>

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

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$250,048
Miscellaneous	17,425
Total Operating Cash Receipts	267,473
Operating Cash Disbursements:	
Personal Services	42,893
Fringe Benefits	1,764
Contractual Services	103,559
Supplies and Materials	27,417
Capital Outlay	2,360
Total Operating Cash Disbursements	177,993
Operating Income/(Loss)	89,480
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	11,059
Non-Operating Cash Disbursements:	
Debt Service	49,144
Other Non-Operating Cash Disbursements	13,852
Total Non-Operating Cash Disbursements	62,996
Net Cash Receipts Over/(Under) Cash Disbursements	37,543
Fund Cash Balances, January 1	185,598
Fund Cash Balances, December 31	\$223,141

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

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$20,295	\$15,659	\$	\$35,954
Intergovernmental Receipts	38,397	24,027		62,424
Charges for Services	385	89,084		89,469
Fines, Licenses, and Permits	105			105
Earnings on Investments	3,704	3,477		7,181
Miscellaneous	2,964	1,056		4,020
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	65,850	133,303	0	199,153
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	29,347	31,698		61,045
Leisure Time Activities	860			860
Transportation		27,859		27,859
General Government	16,871			16,871
Debt Service:				
Principal Payments		12,955		12,955
Interest Payments		5,443		5,443
Capital Outlay		235	12,206	12,441
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	47,078	78,190	12,206	137,474
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	18,772	55,113	(12,206)	61,679
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):				
Sale of Bonds or Notes		20,000		20,000
Other Uses	(23,083)	(34,388)	0	(57,471)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(23,083)	(14,388)	0	(37,471)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,311)	40,725	(12,206)	24,208
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	40,557	110,819	12,206	163,582
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Fund Cash Balances, December 31	\$36,246	\$151,544	\$0	\$187,790
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$256,463
Miscellaneous	9,868
	266,331
Operating Cash Disbursements:	
Personal Services	37,268
Fringe Benefits	3,840
Contractual Services	128,371
Supplies and Materials	21,062
Capital Outlay	17,224
	207,765
Operating Income/(Loss)	58,566
Non-Operating Cash Receipts:	
Proceeds from Notes and Bonds	122,544
Other Non-Operating Receipts	9,236
	131,780
Non-Operating Cash Disbursements:	
Debt Service	216,782
Other Non-Operating Cash Disbursements	22,379
	239,161
Net Cash Receipts Over/(Under) Cash Disbursements	(48,815)
Fund Cash Balances, January 1	234,413
Fund Cash Balances, December 31	\$185,598

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

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Junction City, Perry County, Ohio (the Village), is a body corporate and politic 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, Mayor and Clerk. The Village provides general government services, including maintenance of streets, police protection, fire protection, and water and sewer utility services. The Village contracts with Jackson Township to provide Fire and EMS Services.

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

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

Certificates of deposit are valued at cost

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are 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 Fund

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

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

State Highway Improvement Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining and repairing Village streets.

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

EMS Fund - This fund receives tax money from Jackson Township 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.

1st Mortgage Debt Service Fund - This fund receives Special Assessments from the property owners to finance payment of the sewer plant.

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

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 reappropriated. The Village did not use the encumbrance method of accounting.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on 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 POOLED 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 and investments at December 31 was as follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	\$418,345	\$373,388
Certificates of deposit	31,541	
Total deposits	<u>\$449,886</u>	<u>\$373,388</u>

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

At December 31, 2001, \$30,555 of deposits were not insured or collateralized, contrary to Ohio law.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,762	\$66,311	\$13,549
Special Revenue	100,890	150,199	49,309
Capital Projects	150,000	92,470	(57,530)
Enterprise	264,700	278,532	13,832
Total	<u>\$568,352</u>	<u>\$587,512</u>	<u>\$19,160</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,700	\$48,299	\$38,401
Special Revenue	182,145	129,256	52,889
Capital Projects	150,000	92,470	57,530
Enterprise	334,340	240,989	93,351
Total	<u>\$753,185</u>	<u>\$511,014</u>	<u>\$242,171</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,420	\$65,850	(\$17,570)
Special Revenue	120,350	153,303	32,953
Capital Projects	0	0	0
Enterprise	272,300	398,111	125,811
Total	<u>\$476,070</u>	<u>\$617,264</u>	<u>\$141,194</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,300	\$70,161	\$14,139
Special Revenue	167,010	112,578	54,432
Capital Projects	12,206	12,206	0
Enterprise	486,940	446,926	40,014
Total	<u>\$750,456</u>	<u>\$641,871</u>	<u>\$108,585</u>

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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.

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

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, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan	\$161,868	7.24%
OPWC Water System Loan	21,522	2.00%
Promissory Note - Fire Truck Loan	53,213	5.50%
Promissory Note - EMS Vehicle	23,243	5.50%
OPWC Water Line Loan	7,800	0.00%
Promissory Note - Water Loan	32,796	6.00%
Promissory Note - Sewer Improvements	93,439	5.25%
Promissory Note - Truck Loan	6,888	5.10%
Total	<u>\$400,769</u>	

The OWDA (Ohio Water Development Authority) Loan was issued in 1991 for improvements to the Village water system. The original amount of the loan was \$284,000, with semi-annual payments of \$10,923. The loan matures in the year 2012 and is being repaid via water revenues.

The OPWC (Ohio Public Works Commission) Water System Loan was issued in 1993 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 Promissory Note - Fire Truck was issued in 1999 to refinance a note for a fire truck. The original amount of the loan was \$74,000, with quarterly payments of \$3,202. The loan matures in the year 2006 and is being repaid via fire contract revenues.

The Promissory Note - EMS Vehicle was issued in 1998 to purchase a new ambulance. The original amount of the loan was \$36,000, with quarterly payments of \$1,398. The loan matures in the year 2006 and is being repaid via emergency medical service revenue.

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

The OPWC (Ohio Public Works Commission) 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 - Water Loan was originally issued in 1996 for improvements to the Village water system. The loan was re-financed in 1997 for \$49,000, with quarterly payments of \$1,638. The loan matures in the year 2007 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 was issued in 2000 to purchase a new truck. The amount of the loan was \$12,619 with payments of \$291.14 made monthly. The loan matures in the year 2005 and is being repaid via sewer revenues.

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

Year ending December 31	Sewer Promissory Note	OWDA Loans	OPWS Loans	Other Promissory Notes
2002	\$14,165	\$21,845	\$3,088	\$28,447
2003	14,165	21,845	3,088	28,447
2004	14,165	21,845	3,088	28,447
2005	14,165	21,845	3,088	25,244
2006	14,165	21,845	3,088	20,352
2007 – 2010	44,857	131,070	17,506	6,551
Total	<u>\$115,682</u>	<u>\$240,295</u>	<u>\$32,946</u>	<u>\$137,488</u>

6. RETIREMENT SYSTEM

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 of the Village that did not belong to PERS contributed to Social Security and Medicare.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for the periods January 1, 2001 through December 31, 2001 and January 1, 2000 through June 30, 2000. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employer's contribution rate to 8.13% of participants' gross salaries. The Village has paid all contributions required through December 31, 2001.

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Public officials' liability
- Crime and employee dishonesty
- Vehicle

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Junction City, Perry County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated July 8, 2002. 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.

Compliance

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 grants, 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 2001-31064-001, 2001-31064-002 and 2001-31064-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 8, 2002.

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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 2001-31064-002 and 2001-31064-003.

A material weakness is a 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 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 believe the reportable conditions described above are not material weaknesses.

Village of Junction City
Perry County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

July 8, 2002

VILLAGE OF JUNCTION CITY
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-31064-001

Noncompliance Citation

Ohio Revised Code § 5705.39 states that appropriations from each fund shall not exceed the total estimated resources available for expenditures as certified by the Budget Commission. No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate.

Appropriations exceeded total estimated resources by \$86,525 in the 1st Mortgage Debt Service Fund in 2000.

Prior to authorizing the original appropriations or approving amendments, we recommend the Village compare the proposed appropriations with the Certificate of Estimated Resources to ensure the appropriations will not exceed each fund's estimated resources. Once appropriations have been adopted, the Village should obtain the County Auditor's certification that appropriations do not exceed the estimated resources in any fund.

FINDING NUMBER 2001-31064-002

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This Section also provides two "exceptions" to the above requirements:

Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of Village Council.

The fiscal officer's certificate was not obtained either before or after obligations were incurred.

We recommend the Village Clerk-Treasurer certify the availability of funds prior to the Village incurring obligations. Management should consider the use of blanket purchase orders for recurring monthly expenses.

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-31064-003

Reportable Condition - Monitoring Financial Activity

The size of the Village's staff did not allow for an adequate segregation of duties; the Village Clerk-Treasurer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that Village Council monitor financial activity closely. Although Village Council approved all vouchers for payment and the Village Clerk-Treasurer submitted a monthly statement of balances, there was no documentation of the extent to which Village Council reviewed financial and budgetary information to monitor the activities of the Village. Neither estimated receipts nor appropriations were posted to the ledgers. This could result in errors and/or irregularities occurring and remaining undetected for an extended period of time.

Since we do not consider it practical for the Village to hire additional employees in order to segregate the accounting duties, we recommend that, after the Village Clerk-Treasurer has performed the monthly bank reconciliation, Village Council review the validity of the computations and attest to its accuracy. Also, Village Council should carefully review and formally approve pertinent financial and budgetary information, such as the cash journal, receipts ledger and appropriations ledger on a monthly basis, and make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

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

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

The Village Clerk-Treasurer, Mayor and Village Council should also become familiar with the Ohio Compliance Supplement (revised June, 2001) which has been provided to them, as a tool to assist them in complying with applicable Ohio laws and regulations.

FINDING NUMBER 2001-31064-004

Noncompliance Citation

Ohio Rev. Code §135.18 requires all public funds on deposit with a financial institution in excess of federal deposit insurance to be collateralized by specifically pledged securities or a pool of eligible securities for all public funds. In addition, the treasurer may request no more than four times per year, a statement from its financial institution indicating the amount of public monies deposited by the treasurer and secured by a pool of eligible securities.

During the audit period, the Village did not have sufficient coverage to adequately secure the Village deposits. Both FDIC coverage and an additional pledge of \$300,000 were in place, however, deposits still exceeded the coverage. This could result in the loss of Village funds should the depository fail.

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-31064-004 (Continued)

Noncompliance Citation (Continued)

We recommend the Village Clerk-Treasurer review depository balances periodically to ensure that pledged collateral is adequate. The Village Clerk-Treasurer should request statements of eligible securities pledged for the repayment of public monies from its financial institution on a quarterly basis in order to monitor that the Village's funds have been appropriately secured.

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30705-001	Ohio Revised Code 5705.41 (D), failure to certify funds	Not Corrected	Purchase orders were not used to encumber purchases. This noncompliance is repeated in this report as finding 2001-31064-002.



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OFFICE OF THE AUDITOR

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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
OCTOBER 1, 2002**