

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 - 2008



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of Junction City, Perry County, prepared by Knox & Knox, for the audit period January 1, 2008 through December 31, 2009. 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 Accountants' 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 Accountants' 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 16, 2010

This page is intentionally left blank.

VILLAGE OF JUNCTION CITY
PERRY COUNTY

Table of Contents

<u>Title</u>	<u>Page</u>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Enterprise Fund - For the Year Ended December 31, 2009.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Enterprise Fund - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Prior Audit Findings.....	17

This page is intentionally left blank.

KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

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, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Village of Junction City, Perry County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and 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 May 26, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*. You should read in conjunction with this report in assessing the results of our audit.

Knox & Knox

Orrville, Ohio
May 26, 2010

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, 2009

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
CASH RECEIPTS:			
Property and Other Local Taxes	\$26,705	\$8,356	\$35,061
Intergovernmental Receipts	23,149	38,583	61,732
Charges for Services	250	186,341	186,591
Fines, Licenses, and Permits	1,049		1,049
Earnings on Investments	11,117	1,275	12,392
Miscellaneous	16,836	1,459	18,295
Total Cash Receipts	79,106	236,014	315,120
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	52,141		52,141
Transportation	4,422	28,399	32,821
General Government	20,047	134,641	154,688
Debt Service			
Principal Payment		18,141	18,141
Interest		4,580	4,580
Total Cash Disbursements	76,610	185,761	262,371
Total Receipts Over/(Under) Disbursements	2,496	50,253	52,749
Fund Cash Balances, January 1	28,797	350,089	378,886
FUND CASH BALANCES, DECEMBER 31	\$31,293	\$400,342	\$431,635

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 - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Enterprise</u>
OPERATING CASH RECEIPTS:	
Charges for Services	\$251,731
Miscellaneous	1,000
Total Operating Cash Receipts	252,731
OPERATING CASH DISBURSEMENTS:	
Personal Services	42,918
Employee Fringe Benefits	5,219
Contractual Services	137,504
Supplies and Materials	39,739
Total Operating Cash Disbursements	225,380
Operating Income/(Loss)	27,351
NON-OPERATING CASH RECEIPTS:	
Earnings on Investments	14,999
Special Assessment	19,958
Total Non-Operating Cash Receipts	34,957
NON-OPERATING CASH DISBURSEMENTS:	
Principal Payments	(33,613)
Interest Payments	(8,965)
Other Financing Uses	(21,401)
Total Non-Operating Cash Disbursements	(63,979)
Net Income /(Loss)	(1,671)
Fund Cash Balances, January 1	336,325
FUND CASH BALANCES, DECEMBER 31	\$334,654

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, 2008

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
CASH RECEIPTS:			
Property and Other Local Taxes	\$24,080	\$7,579	\$31,659
Intergovernmental Receipts	44,212	\$29,600	73,812
Charges for Services	250	160,833	161,083
Fines, Licenses, and Permits	1,140		1,140
Earnings on Investments	14,246	1,590	15,836
Miscellaneous	<u>23,014</u>	<u>6,516</u>	<u>29,530</u>
Total Cash Receipts	<u>106,942</u>	<u>206,118</u>	<u>313,060</u>
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	44,714		44,714
Transportation	3,642	21,882	25,524
General Government	58,990	132,915	191,905
Debt Service			
Principal Payment		55,450	55,450
Interest Payments		<u>7,272</u>	<u>7,272</u>
Total Cash Disbursements	<u>107,346</u>	<u>217,519</u>	<u>324,865</u>
Total Receipts Over/(Under) Disbursements	(404)	(11,401)	(11,805)
Fund Cash Balances, January 1	<u>29,201</u>	<u>361,490</u>	<u>390,691</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$28,797</u></u>	<u><u>\$350,089</u></u>	<u><u>\$378,886</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 - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$245,088
Total Operating Cash Receipts	245,088
OPERATING CASH DISBURSEMENTS:	
Personal Services	43,234
Travel/Transportation	3,831
Contractual Services	173,196
Supplies and Materials	29,447
Other	5,134
Total Operating Cash Disbursements	254,842
Operating Income/(Loss)	(9,754)
NON-OPERATING CASH RECEIPTS:	
Earnings on Investments	13,504
Special Assessment	14,701
Total Non-Operating Cash Receipts	28,205
NON-OPERATING CASH DISBURSEMENTS:	
Principal Payments	(33,664)
Interest Payments	(10,658)
Other Financing Uses	(13,650)
Total Non-Operating Cash Disbursements	(57,972)
Net Income /(Loss)	(39,521)
Fund Cash Balances, January 1	375,846
FUND CASH BALANCES, DECEMBER 31	\$336,325

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 YEARS ENDED DECEMBER 31, 2009 AND 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Junction City, Perry County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, park operations, and police services. The Junction City Volunteer Fire Department provides fire protection services for the Village.

The Village participates in the Ohio Municipal Joint Self-Insurance public entity risk pool. Note 7 to the financial statements provides additional information for these entities..

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 accounting basis the Auditor of State prescribes or permits. The 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 expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. **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..

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 reports all financial resources except those required to be accounted for in another fund.

2. **Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

D. **FUND ACCOUNTING** (continued)

2. **Special Revenue Funds** (continued)

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

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

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

EMS Fund - This fund receives money from Jackson Village to equip, maintain and operate the Village EMS Department.

3. **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 - This fund receives charges for services from residents to cover the cost of providing water service.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing sewer service.

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, function or object 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. Appropriations lapse at year end.

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

E. **BUDGETARY PROCESS** (continued)

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 individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **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.

2. **EQUITY IN POOLED CASH**

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

	<u>2009</u>	<u>2008</u>
Demand deposits	<u>\$766,285</u>	<u>\$715,212</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; [or] collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2009 and 2008, follows:

Fund Type	2009 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$72,075	\$ 79,106	\$7,031
Special Revenue	206,252	236,014	29,762
Enterprise	278,500	287,688	9,188
Total	\$556,827	\$602,808	\$45,981

Fund Type	2009 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$121,198	\$76,610	\$44,588
Special Revenue	677,287	185,761	491,526
Enterprise	743,622	289,359	454,263
Total	\$1,542,107	\$551,730	\$990,377

Fund Type	2008 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$67,000	\$106,942	\$39,942
Special Revenue	190,300	206,118	15,818
Enterprise	288,700	273,293	(15,407)
Total	\$546,000	\$586,353	\$40,353

Fund Type	2008 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$124,439	\$107,346	\$17,093
Special Revenue	550,768	217,519	333,249
Enterprise	664,546	312,814	351,732
Total	\$1,339,753	\$637,679	\$702,074

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

4. **PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for Village 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 make semiannual payments for 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 owner, 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, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
First National Bank	\$5,548	5.25%
Peoples National Bank	69,875	5.50%
Ohio Water Development Authority	57,077	7.24%
Ohio Water Development Authority	75,520	4.10%
Ohio Public Works Commission	<u>8,942</u>	2.00%
Total	<u>\$216,962</u>	

The Ohio Water Development Authority (OWDA #1651) 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 2013 and is being repaid via water revenues.

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

The First National Bank loan 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. The loan matured in 2010 and was repaid via sewer revenues.

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

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

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

5. **DEBT** (continued)

Year ending December 31	Loan Peoples National Bank		
	Payment	Principal	Interest
2010	\$22,722	\$19,252	\$3,470
2011	22,722	20,352	2,370
2012	22,722	21,495	1,227
2013	8,945	8,775	170
Totals	<u>\$77,111</u>	<u>\$69,874</u>	<u>\$7,237</u>

Year ending December 31	Loan OWDA 4195		
	Payment	Principal	Interest
2010	\$4,858	\$1,779	\$3,079
2011	4,858	1,853	3,005
2012	4,858	1,929	2,929
2013	4,858	2,009	2,849
2014	4,858	2,093	2,765
2015-2019	24,290	11,837	12,453
2020-2024	24,290	14,500	9,790
2025-2029	24,290	17,762	6,528
2030-2034	24,271	21,758	2,513
Totals	<u>\$121,431</u>	<u>\$75,520</u>	<u>\$45,911</u>

Year ending December 31	Loan First National Bank		
	Payment	Principal	Interest
2010	<u>\$6,264</u>	<u>\$5,548</u>	<u>\$716</u>

Year ending December 31	Loan No OPWC 722		
	Payment	Principal	Interest
2010	\$1,888	\$1,718	\$170
2011	1,888	1,752	136
2012	1,888	1,788	100
2013	1,888	1,824	64
2014	1,888	1,860	28
Totals	<u>\$9,440</u>	<u>\$8,942</u>	<u>\$498</u>

Year ending December 31	Loan No OWDA 1651		
	Payment	Principal	Interest
2010	\$21,845	\$17,114	\$4,731
2011	21,845	18,353	3,492
2012	21,845	19,682	2,163
2013	7,603	1,928	5,675
Totals	<u>\$73,138</u>	<u>\$57,077</u>	<u>\$16,061</u>

6. **RETIREMENT SYSTEM**

The Village's certified Fire Fighters and full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F) Other employees Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits..

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

7. **RISK MANAGEMENT**

The Ohio Revised Code also prescribes contribution rates For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time firefighters' wages, respectively. For 2009 and 2008, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

The Village is a member of the Ohio Municipal Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village of Junction City's policy. The Pool covers the following risks.

- General liability and casualty;
- Public officials' liability; and
- Vehicle

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2008</u>	<u>2007</u>
Cash and investments	\$2,552,519	\$2,405,834
Actuarial liabilities	2,814,306	2,877,385

This page is intentionally left blank.

KNOX & KNOX

Accountants and Consultants

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL
AND ON COMPLIANCE AND OTHER MATTERS
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, 2009 and 2008, and have issued our report thereon dated May 26, 2010, 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 as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted other matters that we reported to the Village's management in a separate letter dated May 26, 2010.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

KNOX & KNOX

Orrville, Ohio
May 26, 2010

VILLAGE OF JUNCTION CITY
PERRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Finding Number	Finding Summary	Full Corrected?	Not Corrected, partially corrected, significantly different corrective action taken; or finding no longer valid; Explain:
2007-001	Appropriations cannot exceed total estimated revenue	yes	Finding no longer valid
2007-002	Expend monies without appropriation	yes	Finding no longer valid



Mary Taylor, CPA
Auditor of State

VILLAGE OF JUNCTION CITY

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 29, 2010