

VILLAGE OF JUNCTION CITY
PERRY COUNTY
REGULAR AUDIT
FOR YEARS ENDED DECEMBER 31, 2003 AND 2002

BALESTRA, HARR & SCHERER, CPAs, INC.

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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, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 16, 2004

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VILLAGE OF JUNCTION CITY - PERRY COUNTY
YEARS ENDING DECEMBER 31, 2003 AND DECEMBER 31, 2002
TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' 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, 2003	2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types – For the Year Ended December 31, 2003	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types – For the Year Ended December 31, 2002	5
Notes to the Financial Statements	6-12
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements in Accordance With <i>Government Auditing Standards</i>	13-14
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	16

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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, 2003 and December 31, 2002. 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 accounting principles generally accepted in the United States of America.

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, 2003 and December 31, 2002, and its combined cash receipts and cash 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 a report dated September 16, 2004, 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 report in considering the results of our audit.

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

September 16, 2004

**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, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$21,210	\$6,848	\$28,058
Intergovernmental Receipts	27,705	33,370	61,075
Charges for Services	0	151,750	151,750
Fines, Licenses and Permits	280	0	280
Earnings on Investments	5,182	9,108	14,290
Miscellaneous	2,775	5,293	8,068
Total Cash Receipts	<u>57,152</u>	<u>206,369</u>	<u>263,521</u>
Disbursements:			
Security of Persons and Property	30,409	86,994	117,403
Leisure Time Activities	2,092	0	2,092
Transportation	0	46,227	46,227
General Government	17,538	344	17,882
Debt Service:			
Principal Payments	0	19,208	19,208
Interest Payments	0	3,058	3,058
Capital Outlay	0	10,000	10,000
Total Cash Disbursements	<u>50,039</u>	<u>165,831</u>	<u>215,870</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>7,113</u>	<u>40,538</u>	<u>47,651</u>
Other Financing Receipts/(Disbursements)			
Sale of Notes	0	10,000	10,000
Other Disbursements	0	(500)	(500)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>9,500</u>	<u>9,500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>7,113</u>	<u>50,038</u>	<u>57,151</u>
Fund Cash Balances, January 1	<u>57,681</u>	<u>164,719</u>	<u>222,400</u>
Fund Cash Balances, December 31, 2003	<u>\$64,794</u>	<u>\$214,757</u>	<u>\$279,551</u>

The notes to the 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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$245,909
Fines, Licenses and Permits	338
Miscellaneous	18,893
Total Operating Cash Receipts	265,140
Operating Cash Disbursements:	
Personal Services	39,066
Travel Transportation	1,729
Contractual Services	124,721
Supplies and Materials	23,159
Other	19,905
Total Operating Cash Disbursements	208,580
Operating Income/(Loss)	56,560
Non-Operating Cash Receipts:	
Earnings on Investments	8,265
Special Assessment	15,131
Total Non-Operating Cash Receipts	23,396
Non-Operating Cash Disbursements:	
Debt Service	55,800
Total Non-Operating Cash Disbursements	55,800
Net Receipts Over/(Under) Disbursements	24,156
Fund Cash Balances, January 1	266,986
Fund Cash Balances, December 31	\$291,142

The notes to the 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, 2002**

	<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	\$20,803	\$6,825	\$0	\$27,628
Intergovernmental Receipts	27,253	30,534	49,710	107,497
Charges for Services	0	120,069	0	120,069
Fines, Licenses and Permits	245	0	0	245
Earnings on Investments	6,033	2,198	0	8,231
Miscellaneous	4,862	4,073	0	8,935
Total Cash Receipts	<u>59,196</u>	<u>163,699</u>	<u>49,710</u>	<u>272,605</u>
Disbursements:				
Security of Persons and Property	28,084	136,663	0	164,747
Leisure Time Activities	2,017	0	0	2,017
Transportation	0	21,080	0	21,080
General Government	25,671	246	0	25,917
Debt Service:	0	0	0	0
Principal Payments	0	60,777	0	60,777
Interest Payments	0	2,701	0	2,701
Capital Outlay	0	0	49,710	49,710
Total Cash Disbursements	<u>55,772</u>	<u>221,467</u>	<u>49,710</u>	<u>326,949</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>3,424</u>	<u>(57,768)</u>	<u>0</u>	<u>(54,344)</u>
Other Financing Receipts/(Disbursements)				
Sale of Notes	0	50,000	0	50,000
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>3,424</u>	<u>(7,768)</u>	<u>0</u>	<u>(4,344)</u>
Fund Cash Balances, January 1	<u>54,257</u>	<u>172,487</u>	<u>0</u>	<u>226,744</u>
Fund Cash Balances, December 31, 2002	<u><u>\$57,681</u></u>	<u><u>\$164,719</u></u>	<u><u>\$0</u></u>	<u><u>\$222,400</u></u>

The notes to the 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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$253,849
Miscellaneous	10,248
Total Operating Cash Receipts	264,097
Operating Cash Disbursements:	
Personal Services	39,868
Travel Transportation	1,889
Contractual Services	122,785
Supplies and Materials	19,870
Other	11,835
Total Operating Cash Disbursements	196,247
Operating Income/(Loss)	67,850
Non-Operating Cash Receipts:	
Special Assessment	16,507
Earnings on Investments	8,634
Total Non-Operating Cash Receipts	25,141
Non-Operating Cash Disbursements:	
Debt Service	49,143
Miscellaneous	3
Total Non-Operating Cash Disbursements	49,146
Net Receipts Over/(Under) Disbursements	43,845
Fund Cash Balances, January 1	223,141
Fund Cash Balances, December 31	\$266,986

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, 2003 AND 2002

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 management believes these financial statements represent 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 or 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, 2003 AND 2002
(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.

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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 unencumbered 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 re-appropriated. The Village did not use the encumbrance method of accounting.

A summary of 2003 and 2002 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

The Village maintains a cash 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>2003</u>	<u>2002</u>
Demand deposits	\$570,693	\$489,386
Total Deposits	<u>\$570,693</u>	<u>\$489,386</u>

Deposits:

The Village's deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002, was as follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,575	\$57,152	\$5,577
Special Revenue	175,991	216,369	40,378
Capital Projects	300,000	0	(300,000)
Enterprise	<u>268,100</u>	<u>288,536</u>	<u>20,436</u>
Total	<u>\$795,666</u>	<u>\$562,057</u>	<u>(\$233,609)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Disbursements	Variance
General	\$88,900	\$50,039	\$38,861
Special Revenue	221,845	166,331	55,514
Capital Projects	300,000	0	300,000
Enterprise	<u>353,780</u>	<u>264,380</u>	<u>89,400</u>
Total	<u>\$964,525</u>	<u>\$480,750</u>	<u>\$483,775</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,904	\$59,196	\$9,292
Special Revenue	203,490	213,699	10,209
Capital Projects	50,000	49,710	(290)
Enterprise	<u>264,500</u>	<u>289,238</u>	<u>24,738</u>
Total	<u>\$567,894</u>	<u>\$611,843</u>	<u>\$43,949</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Disbursements	Variance
General	\$87,200	\$55,772	\$31,428
Special Revenue	314,845	221,467	93,378
Capital Projects	50,000	49,710	290
Enterprise	<u>351,780</u>	<u>245,393</u>	<u>106,387</u>
Total	<u>\$803,825</u>	<u>\$572,342</u>	<u>\$231,483</u>

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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.

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, 2003 was as follows:

	Principal	Interest Rate
OWDA Loan	\$140,883	7.24%
OPWC Water System Loan	18,562	2.00%
Promissory Note – Fire Truck Loan	6,994	5.50%
OPWC Water Line Loan	5,400	0.00%
Promissory Note – Water Loan	16,549	6.00%
Promissory Note – Sewer Improvements	74,003	5.25%
Promissory Note – Truck Loan	8,667	4.00%
Promissory Note – EMS Vehicle	40,810	4.25%
Total	\$311,867	

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 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 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.

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

5. DEB T (Continued)

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 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.

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.

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
2004	\$14,156	\$21,845	\$3,088	\$23,920
2005	14,156	21,845	3,088	24,605
2006	14,156	21,845	3,088	17,612
2007	14,156	21,845	3,088	11,365
2008	14,156	21,845	3,088	0
2009-2013	16,527	87,380	9,442	0
2014	0	0	1,888	0
Total	<u>\$87,307</u>	<u>\$196,605</u>	<u>\$26,770</u>	<u>\$77,502</u>

6. 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 2003 and 2002, 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, 2003.

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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

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

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Ohio Society of Certified Public Accountants

Report on Compliance and On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the Village of Junction City, Perry County, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated September 16, 2004. 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 2003-001 and 2003-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Village of Junction City
Perry County
Report on Compliance and On Internal Control Over Financial Reporting
Based On An Audit Of Financial Statements Performed in Accordance
With *Government Auditing Standards*
Page 2

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

September 16, 2004

VILLAGE OF JUNCTION CITY
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Prior Certification of Expenditures

Ohio Rev. Code Section 5705.41(D) stipulates that 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. This section also provides two exceptions to the above requirements:

A. Then and Now Certificate - 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 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 such expenditure is otherwise valid.

B. If the amount involved is less than three thousand (as of April 7, 2003), the fiscal officer may authorize it to be paid without affirmation of the Board.

The Village failed to use purchase orders to certify funds prior to the commitment of funds. By not certifying that the funds have been appropriated and are available for expenditure, the Village's actual expenditures may exceed the available resources.

The Village should obtain certification for all expenditures prior to the ordering of goods and services.

FINDING NUMBER 2003-002

Noncompliance Citation

Expenditures Must Not Exceed Appropriations

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

We noted that no funds were appropriated for the Unapplied Utilities Fund in 2002 or 2003. Actual expenditures were \$5,526 in 2003 and \$4,695 in 2002.

VILLAGE OF JUNCTION CITY
PERRY COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-31064-001	Appropriations from each fund shall not exceed the total estimated resources available for expenditures as certified by the Budget Commission.	Yes	Appropriations did not exceed estimated resources.
2001-31064-002	Expenditures were not certified by the Village Clerk/Treasurer at the time the commitment was incurred and Then and Now Certificates were not utilized.	Not corrected.	Purchase orders were not used to encumber purchases. This noncompliance is repeated in this report as finding 2003-001.
2001-31064-003	Monitoring Financial Activity	Yes	Hired additional clerical employees.
2001-31064-004	Adequate pledged securities for deposits over FDIC insurance.	Yes	The Village monitors pledged securities to ensure that collateral is adequate.



**Auditor of State
Betty Montgomery**

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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 30, 2004**