

**VILLAGE OF JUNCTION CITY
PERRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 - 2006



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Junction City
103 Springfield Street
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, 2006 through December 31, 2007. 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

July 7, 2008

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VILLAGE OF JUNCTION CITY
PERRY COUNTY

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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, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006. 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, if any, 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 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 principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. In addition to the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Village of Junction City, Perry County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 April 1, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Knox & Knox

Orrville, Ohio
April 1, 2008

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, 2007

| | Governmental Fund Types | | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|---------------------|--------------------------------|
| | General | Special Revenue | Capital Projects | |
| CASH RECEIPTS: | | | | |
| Property and Other Local Taxes | \$23,482 | \$7,417 | | \$30,899 |
| Intergovernmental Receipts | 27,596 | 36,453 | | 64,049 |
| Charges for Services | 350 | 168,147 | | 168,497 |
| Fines, Licenses, and Permits | 3,554 | | | 3,554 |
| Earnings on Investments | 10,120 | 2,450 | | 12,570 |
| Miscellaneous | 13,829 | 1,510 | | 15,339 |
| Total Cash Receipts | 78,931 | 215,977 | | 294,908 |
| CASH DISBURSEMENTS: | | | | |
| Current: | | | | |
| Security of Persons and Property | 25,256 | 58,515 | | 83,771 |
| Transportation | 3,779 | 43,555 | | 47,334 |
| General Government | 47,180 | 11,374 | | 58,554 |
| Debt Service | | | | |
| Redemption of Services | | 54,630 | | 54,630 |
| Interest and Other Fiscal Charges | | 9,309 | 2,332 | 11,641 |
| Total Cash Disbursements | 76,215 | 177,383 | 2,332 | 255,930 |
| Total Receipts Over/(Under) Disbursements | 2,716 | 38,594 | (2,332) | 38,978 |
| Fund Cash Balances, January 1 | 26,485 | 322,876 | 2,352 | 351,713 |
| FUND CASH BALANCES, DECEMBER 31 | \$29,201 | \$361,470 | \$20 | \$390,691 |

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, 2007

| | <u>Enterprise</u> |
|--|-------------------|
| OPERATING CASH RECEIPTS: | |
| Charges for Services | \$257,132 |
| Miscellaneous | 15,387 |
| Total Operating Cash Receipts | 272,519 |
| OPERATING CASH DISBURSEMENTS: | |
| Personal Services | 32,549 |
| Travel/Transportation | 3,917 |
| Contractual Services | 128,262 |
| Supplies and Materials | 26,260 |
| Other | 22,876 |
| Capital Outlay | |
| Total Operating Cash Disbursements | 213,864 |
| Operating Income/(Loss) | 58,655 |
| NON-OPERATING CASH RECEIPTS: | |
| Earnings on Investments | 1,037 |
| Special Assessment | 14,215 |
| Total Non-Operating Cash Receipts | 15,252 |
| NON-OPERATING CASH DISBURSEMENTS: | |
| Principal Payments | 31,152 |
| Interest Payments | 12,556 |
| Other Financing Uses | 10,222 |
| Total Non-Operating Cash Disbursements | 53,930 |
| Net Income /(Loss) | 19,977 |
| Fund Cash Balances, January 1 | 355,869 |
| FUND CASH BALANCES, DECEMBER 31 | \$375,846 |

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, 2006

| | Governmental Fund Types | | | Totals |
|--|-------------------------|----------------------------|-----------------------------|-------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | (Memorandum Only) |
| CASH RECEIPTS: | | | | |
| Property and Other Local Taxes | \$26,582 | \$8,261 | | \$34,843 |
| Intergovernmental Receipts | 31,051 | \$32,519 | | 63,570 |
| Charges for Services | 365 | 205,098 | | 205,463 |
| Fines, Licenses, and Permits | 1,469 | 150 | | 1,619 |
| Earnings on Investments | 9,561 | 2,205 | | 11,766 |
| Miscellaneous | 4,450 | 1,930 | \$15,749 | 22,129 |
| | <u>73,478</u> | <u>250,163</u> | <u>15,749</u> | <u>339,390</u> |
| CASH DISBURSEMENTS: | | | | |
| Current: | | | | |
| Security of Persons and Property | 49,756 | 115,372 | | 165,128 |
| Leisure Time Activities | 346 | | | 346 |
| Transportation | | 33,021 | | 33,021 |
| General Government | 43,314 | 775 | | 44,089 |
| Capital Projects | | 210,000 | | 210,000 |
| Debt Service | | | | |
| Principal Payment | | 35,631 | | 35,631 |
| Interest Payments | | 11,449 | | 11,449 |
| | <u>93,416</u> | <u>406,248</u> | | <u>499,664</u> |
| Total Receipts Over/(Under) Disbursements | <u>(19,938)</u> | <u>(156,085)</u> | <u>15,749</u> | <u>(160,274)</u> |
| OTHER FINANCING RECEIPTS/DISBURSEMENTS | | | | |
| Loan Proceeds | | 210,000 | | 210,000 |
| Other Financing Sources | 13,691 | | | 13,691 |
| Other Financing Uses | | | (16,434) | (16,434) |
| | <u>13,691</u> | <u>210,000</u> | <u>(16,434)</u> | <u>207,257</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (6,247) | 53,915 | (685) | 46,983 |
| Fund Cash Balances, January 1 | <u>32,732</u> | <u>268,961</u> | <u>3,037</u> | <u>304,730</u> |
| FUND CASH BALANCES, DECEMBER 31 | <u><u>\$26,485</u></u> | <u><u>\$322,876</u></u> | <u><u>\$2,352</u></u> | <u><u>\$351,713</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, 2006

| | <u>Enterprise</u> |
|--|-------------------|
| OPERATING CASH RECEIPTS: | |
| Charges for Services | \$251,729 |
| Miscellaneous | 18,474 |
| Total Operating Cash Receipts | 270,203 |
| OPERATING CASH DISBURSEMENTS: | |
| Personal Services | 27,402 |
| Travel/Transportation | 2,656 |
| Contractual Services | 133,220 |
| Supplies and Materials | 21,345 |
| Other | 66,081 |
| Total Operating Cash Disbursements | 250,704 |
| Operating Income/(Loss) | 19,499 |
| NON-OPERATING CASH RECEIPTS: | |
| Earnings on Investments | 12,225 |
| Special Assessment | 16,402 |
| Other Financing Sources | 35,000 |
| Total Non-Operating Cash Receipts | 63,627 |
| NON-OPERATING CASH DISBURSEMENTS: | |
| Principal Payments | 38,726 |
| Interest Payments | 14,204 |
| Other Financing Uses | 5,000 |
| Total Non-Operating Cash Disbursements | 57,930 |
| Net Income /(Loss) | 25,196 |
| Fund Cash Balances, January 1 | 330,673 |
| FUND CASH BALANCES, DECEMBER 31 | \$355,869 |

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, 2007 and 2006

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. The Village provides general government services, including park operations. The Junction City Village Volunteer Fire Department provides fire protection services for the Village.

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

B. **BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. **CASH INVESTMENTS**

The Village maintains interest bearing checking accounts.

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 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 has the following significant Special Revenue Funds:

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

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

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

D. **FUND ACCOUNTING** (continued)

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

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 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 project 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 are used to 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 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 department, division or office level of control, and within each, amounts appropriated for personal services. 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
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

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 in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. **PROPERTY, PLANT AND EQUIPMENT**

Acquisitions of property, plant and equipment are recorded as capital outlay 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 and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash and investments at December 31 was as follows:

| | <u>2007</u> | <u>2006</u> |
|-----------------|------------------|------------------|
| Demand deposits | <u>\$766,537</u> | <u>\$707,582</u> |

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) by securities pledged by the financial institution to the Village.

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2007 and 2006, follows:

| 2007 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$66,260 | \$ 78,931 | \$12,671 |
| Special Revenue | 229,560 | 215,977 | (13,583) |
| Enterprise | 288,700 | 287,771 | (929) |
| Total | \$584,520 | \$582,679 | (\$1,841) |

| 2007 Budgeted vs Actual Budgetary Basis Expenditures | | | |
|--|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$92,745 | \$76,214 | \$16,531 |
| Special Revenue | 488,323 | 177,383 | 310,940 |
| Capital Project | | 2,332 | (2,332) |
| Enterprise | 644,569 | 267,794 | 376,775 |
| Total | \$1,225,637 | \$523,723 | \$701,914 |

| 2006 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$53,270 | \$87,169 | \$33,899 |
| Special Revenue | 189,285 | 460,163 | 270,878 |
| Capital Project | | 15,749 | 15,749 |
| Enterprise | 270,200 | 333,831 | 63,631 |
| Total | \$512,755 | \$896,912 | \$384,157 |

| 2006 Budgeted vs Actual Budgetary Basis Expenditures | | | |
|--|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$103,050 | \$93,416 | \$9,634 |
| Special Revenue | 292,220 | 406,248 | (114,028) |
| Capital Project | | 16,434 | (16,434) |
| Enterprise | 356,780 | 308,634 | 48,146 |
| Total | \$752,050 | \$824,732 | (\$72,682) |

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

3. **BUDGETARY ACTIVITY** (continued)

Contrary to Ohio law, in 2007, expenditures exceeded appropriations in the capital projects fund, and in 2006, expenditures exceeded appropriations in the special revenue and capital projects funds. In 2006, appropriations exceeded estimated resources in the general and capital projects funds.

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 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, 2007 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|----------------------------------|------------------|----------------------|
| Ohio Water Development Authority | \$78,868 | 7.24% |
| Ohio Public Works Commission | 12,951 | 2.00% |
| First National Bank | 28,740 | 5.25% |
| Peoples National Bank | 148,276 | 5.50% |
| Ohio Water Development Authority | <u>88,995</u> | 4.10% |
| Total | <u>\$357,830</u> | |

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 \$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 matures in 2010 and will be repaid via sewer revenues.

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

5. **DEBT** (continued)

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) 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 2035 and will be repaid via sewer revenues.

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

| Year ending December 31 | Loan Peoples National Bank | | |
|----------------------------|----------------------------|------------------|-----------------|
| | Payment | Principal | Interest |
| 2008 | \$62,722 | \$52,693 | \$10,029 |
| 2009 | 22,722 | 13,433 | 9,289 |
| 2010 | 22,722 | 14,188 | 8,534 |
| 2011 | 22,722 | 15,806 | 6,916 |
| 2012 | 22,722 | 16,714 | 6,008 |
| 2013-2017 | 56,332 | 35,442 | 20,890 |
| Totals | <u>\$209,942</u> | <u>\$148,276</u> | <u>\$61,666</u> |

| Year ending December 31 | Loan OWDA 4195 | | |
|----------------------------|------------------|-----------------|-----------------|
| | Payment | Principal | Interest |
| 2008 | \$4,858 | \$1,607 | \$3,251 |
| 2009 | 4,858 | 1,673 | 3,185 |
| 2010 | 4,858 | 1,743 | 3,115 |
| 2011 | 4,858 | 1,815 | 3,043 |
| 2012 | 4,858 | 1,891 | 2,967 |
| 2013-2017 | 24,290 | \$10,695 | 13,595 |
| 2018-2022 | 24,290 | 13,101 | 11,189 |
| 2023-2027 | 24,290 | 16,048 | 8,242 |
| 2028-2032 | 24,290 | 19,657 | 4,633 |
| 2033-2035 | 12,172 | 10,638 | 1,534 |
| Totals | <u>\$133,622</u> | <u>\$78,868</u> | <u>\$54,754</u> |

| Year ending December 31 | Loan First National Bank | | |
|----------------------------|--------------------------|-----------------|----------------|
| | Payment | Principal | Interest |
| 2008 | \$14,165 | \$12,961 | \$1,204 |
| 2009 | 14,165 | 13,663 | 502 |
| 2010 | 2,130 | 2,116 | 14 |
| Totals | <u>\$30,460</u> | <u>\$28,740</u> | <u>\$1,720</u> |

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

5. **DEBT** (continued)

| Year ending December 31 | Loan No OPWC CR722 | | |
|----------------------------|--------------------|-----------------|----------------|
| | Payment | Principal | Interest |
| 2008 | \$1,888 | \$1,618 | \$270 |
| 2009 | 1,888 | 1,650 | 238 |
| 2010 | 1,888 | 1,683 | 205 |
| 2011 | 1,888 | 1,717 | 171 |
| 2012 | 1,888 | 1,751 | 137 |
| 2013-2015 | 4,720 | 4,532 | 188 |
| Totals | <u>\$14,160</u> | <u>\$12,951</u> | <u>\$1,209</u> |

| Year ending December 31 | Loan No. OWDA 1651 | | |
|----------------------------|--------------------|-----------------|-----------------|
| | Payment | Principal | Interest |
| 2008 | \$21,845 | \$14,881 | \$6,964 |
| 2009 | 21,845 | 15,958 | 5,887 |
| 2010 | 21,845 | 17,114 | 4,731 |
| 2011 | 21,845 | 18,353 | 3,492 |
| 2012 | 21,845 | 19,682 | 2,163 |
| 2013 | 3,747 | 3,007 | 740 |
| Totals | <u>\$112,972</u> | <u>\$88,995</u> | <u>\$23,977</u> |

6. **RETIREMENT SYSTEM**

A. Ohio Public Employees Retirement System

Some of the Village's employees, as well as the Mayor, Village Clerk, and certain Village Council Members, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plans provides retirement benefits, including postretirement healthcare, 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.

Contributions rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, OPERS members contributed 9.5% and 9.0% of their gross salaries, respectively. The Village contributed an amount equal to 13.85% (2007) and 13.7% (2006) of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

B. Ohio Police and Fire Pension Fund

Plan members are required to contribute 10% of their gross salaries to fund pension obligations while the Village is required to contribute 11.75% for police officers. Contributions are authorized by State Statute. The Village's required contributions to the Fund for the years ended December 31, 2007 and 2006 were \$5,507 and \$5,258 respectively. The full amount has been contributed for 2007 and 2006.

The total police employer contribution rate is 19.5% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment healthcare program during 2006.

VILLAGE OF JUNCTION CITY
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

7. **RISK MANAGEMENT**

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005 (the latest information available).

| | <u>2006</u> | <u>2005</u> |
|---------------------|--------------------|----------------------|
| Assets | \$2,331,284 | \$ 2,241,661 |
| Liabilities | <u>(3,130,475)</u> | <u>(3,457,720)</u> |
| Accumulated deficit | <u>(\$799,191)</u> | <u>(\$1,216,059)</u> |

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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, 2007 and 2006, and have issued our report thereon dated April 1, 2008, 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 April 1, 2008.

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 two instances of noncompliance or other matters we must report under *Government Auditing Standards* and are shown in the accompanying schedule as Findings numbered 2007-01 and 2007-02.

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
April 1, 2008

VILLAGE OF JUNCTION CITY
PERRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

| Finding Number | Finding Summary | Full Corrected? | Not Corrected, partially corrected, significantly different corrective action taken; or finding no longer valid; Explain: |
|----------------|--|-----------------|---|
| 2005-001 | Certify tax rates to County Auditor prior to October 1 | yes | Finding is no longer valid. |
| 2005-002 | File Certificate of Available Revenue on or about January 1 | yes | Finding is no longer valid. |
| 2005-003 | Obtain amended certificate to support increased appropriations | yes | Finding is no longer valid. |
| 2005-004 | Appropriations cannot exceed total estimated revenue | no | Repeated as Finding 2007-01 |
| 2005-005 | Expend monies without appropriation | no | Repeated as Finding 2007-02 |
| 2005-006 | Funds not certified prior to purchase commitment | yes | Finding is no longer valid. |
| 2005-007 | Cash Journal not maintained properly | yes | Finding is no longer valid. |

VILLAGE OF JUNCTION CITY
PERRY COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-01

Noncompliance

Ohio Revised Code Section 5705.39 states that appropriations from each fund shall not exceed total estimated revenue.

In 2006, the Village's appropriations exceeded estimated resources in the general fund by \$17,048 and the capital projects fund by \$16,434.

We recommend that to avoid overspending, appropriations should not exceed estimated resources.

Client Response: None

FINDING NUMBER 2007-02

Noncompliance

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

In 2007, expenditures exceeded appropriations by \$2,332 in the capital projects fund. In 2006, expenditures exceeded appropriations in the special revenue fund type by \$114,028 and the capital projects fund by \$16,434.

We recommend that funds be appropriated before expending.

Client Response: None



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
JULY 17, 2008