



**Auditor of State
Betty Montgomery**

VILLAGE OF OAK HILL
JACKSON COUNTY

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**Auditor of State
Betty Montgomery**

Village of Oak Hill
Jackson County
415 North Front Street
Oak Hill, Ohio 45656

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 8, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Oak Hill
Jackson County
415 North Front Street
Oak Hill, Ohio 45656

To the Village Council:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, 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, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004 the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires 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 reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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.

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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, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Oak Hill, Jackson County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As disclosed in Note 9, as a result of the reclassification of trust funds to special revenue fund type and the adjustments necessary for the reconciliation of the Village's accounting records to the bank, prior period fund cash balances were restated.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2004. 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 November 8, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did 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 *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

November 8, 2006

**VILLAGE OF OAK HILL
JACKSON COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$107,576	\$140,818	\$248,394
Intergovernmental Receipts	101,635	90,768	192,403
Charges for Services	49	23,979	24,028
Fines, Licenses, and Permits	9,508		9,508
Earnings on Investments	5,165	55	5,220
Miscellaneous	12,312	298	12,610
	<u>236,245</u>	<u>255,918</u>	<u>492,163</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	186,572	36,136	222,708
Public Health Services		62,987	62,987
Leisure Time Activities		7,998	7,998
Basic Utility Services	20,742		20,742
Transportation		55,318	55,318
General Government	36,719	1,939	38,658
Capital Outlay		93,117	93,117
	<u>244,033</u>	<u>257,495</u>	<u>501,528</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(7,788)</u>	<u>(1,577)</u>	<u>(9,365)</u>
Other Financing Receipts/(Disbursements):			
Sale of Fixed Assets	3,500		3,500
Transfers-In		883	883
Advances-In	560	6,210	6,770
Transfers-Out	(883)		(883)
Advances-Out	(560)	(9,274)	(9,834)
Other Financing Receipts	10,743		10,743
Other Financing Disbursements	(267)	(32)	(299)
	<u>13,093</u>	<u>(2,213)</u>	<u>10,880</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,305	(3,790)	1,515
Fund Cash Balances, January 1	<u>23,396</u>	<u>317,856</u>	<u>341,252</u>
Fund Cash Balances, December 31	<u>\$28,701</u>	<u>\$314,066</u>	<u>\$342,767</u>
Reserves for Encumbrances, December 31	<u>\$870</u>	<u>\$304</u>	<u>\$1,174</u>

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

**VILLAGE OF OAK HILL
JACKSON COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	809,684
 Total Operating Cash Receipts	809,684
Operating Cash Disbursements:	
Personal Services	187,545
Fringe Benefits	82,232
Contractual Services	231,081
Supplies and Materials	150,839
Other	17,664
 Total Operating Cash Disbursements	669,361
Operating Income/(Loss)	140,323
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	27,276
Earnings on Investments	15
Miscellaneous Receipts	1,325
Other Non-Operating Receipts	98
 Total Non-Operating Cash Receipts	28,714
Non-Operating Cash Disbursements:	
Debt Service:	
Redemption of Principal	(66,001)
Interest and Other Fiscal Charges	(30,653)
Capital Outlay	(40,197)
Other Non-Operating Cash Disbursements	(155)
 Total Non-Operating Cash Disbursements	(137,006)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	32,031
 Transfers-In	42,411
Advances-In	31,279
Transfers-Out	(42,411)
Advances-Out	(28,215)
 Net Receipts Over/(Under) Disbursements	35,095
Fund Cash Balances, January 1	264,769
Fund Cash Balances, December 31	\$299,864
Reserve for Encumbrances, December 31	\$579

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

**VILLAGE OF OAK HILL
JACKSON COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$100,271	\$118,534	\$	\$218,805
Intergovernmental Receipts	84,483	88,006		172,489
Charges for Services	51	20,954		21,005
Fines, Licenses, and Permits	20,296			20,296
Earnings on Investments	4,357	82		4,439
Miscellaneous	12,228	16,142		28,370
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	221,686	243,718	0	465,404
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	177,439	28,319		205,758
Public Health Services		73,002		73,002
Basic Utility Services	24,261			24,261
Transportation		60,046		60,046
General Government	31,263	812		32,075
Debt Service:				
Principal Payments		23,481		23,481
Interest Payments		6,390		6,390
Capital Outlay		55,703	24,413	80,116
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Total Cash Disbursements	232,963	247,753	24,413	505,129
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(11,277)	(4,035)	(24,413)	(39,725)
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):				
Sale of Assets	1,500			1,500
Advances-In	21,836	10,013		31,849
Transfers-Out	(1,915)			(1,915)
Advances-Out	(20,696)	(9,079)		(29,775)
Other Financing Uses	(37)	0		(37)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	688	934	0	1,622
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,589)	(3,101)	(24,413)	(38,103)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1, restated - see Note 9	33,985	320,957	24,413	379,355
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Fund Cash Balances, December 31	\$23,396	\$317,856	\$0	\$341,252
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Reserves for Encumbrances, December 31	\$258	\$269	\$0	\$527
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

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

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$777,367	\$0	\$777,367
Total Operating Cash Receipts	<u>777,367</u>	<u>0</u>	<u>777,367</u>
Operating Cash Disbursements:			
Personal Services	134,127		134,127
Fringe Benefits	73,059		73,059
Contractual Services	211,824		211,824
Supplies and Materials	167,518		167,518
Other	48,697		48,697
Capital Outlay	120,088		120,088
Total Operating Cash Disbursements	<u>755,313</u>	<u>0</u>	<u>755,313</u>
Operating Income/(Loss)	<u>22,054</u>	<u>0</u>	<u>22,054</u>
Non-Operating Cash Receipts:			
Special Assessments	184		184
Intergovernmental Receipts	84,144		84,144
Earnings on Investments	16		16
Sale of Notes	382		382
Miscellaneous Receipts	11,595		11,595
Other Non-Operating Receipts	6,170	7,202	13,372
Total Non-Operating Cash Receipts	<u>102,491</u>	<u>7,202</u>	<u>109,693</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Redemption of Principal	(59,551)		(59,551)
Interest and Other Fiscal Charges	(22,629)		(22,629)
Other Non-Operating Cash Disbursements	(20)	(7,687)	(7,707)
Total Non-Operating Cash Disbursements	<u>(82,200)</u>	<u>(7,687)</u>	<u>(89,887)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	42,345	(485)	41,860
Transfers-In	1,915		1,915
Advances-In	48,880		48,880
Advances-Out	(50,954)		(50,954)
Net Receipts Over/(Under) Disbursements	42,186	(485)	41,701
Fund Cash Balances, January 1, restated - see Note 9	<u>222,583</u>	<u>485</u>	<u>223,068</u>
Fund Cash Balances, December 31	<u>\$264,769</u>	<u>\$0</u>	<u>\$264,769</u>
Reserve for Encumbrances, December 31	<u>\$2,735</u>	<u>\$0</u>	<u>\$2,735</u>

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

**VILLAGE OF OAK HILL
JACKSON COUNTY**

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

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 Oak Hill, Jackson County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Madison Jefferson Joint Fire District to receive fire protection services.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit and U.S. savings bonds at cost.

D. Fund Accounting

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

1. General Fund

The General Fund 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

VILLAGE OF OAK HILL
JACKSON COUNTY

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

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 tax money for constructing, maintaining, and repairing Village streets.

Cemetery Fund - This fund receives property tax money to maintain the Village's cemetery.

Permissive Sales Tax - This fund receives permissive sales tax monies to be used for road and community improvements.

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

School Sewer Fund - This fund received grant monies prior to the current audit period for the new schools sewer project. The residual balance was expended in 2004.

4. 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 Operating Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

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

5. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Mayor's Court - Effective March 31, 2004 the Mayor's Court was dissolved. All Village court cases are now referred to Jackson County Municipal Court. Remittances received from the Jackson County Auditor for the Village's portion of fines and forfeitures are paid into the General Fund.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 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.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$478,835	\$403,379
Certificates of deposit	162,193	201,042
Total deposits	641,028	604,421
U.S. Savings Bonds	1,600	1,600
Total deposits and investments	\$642,628	\$606,021

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: U. S. Savings Bonds are evidenced by Series EE bonds that exist in physical form.

3. BUDGETARY ACTIVITY

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

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$259,000	\$251,048	(\$7,952)
Special Revenue	243,605	263,011	19,406
Enterprise	1,005,967	912,088	(93,879)
Total	\$1,508,572	\$1,426,147	(\$82,425)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$317,168	\$246,613	\$70,555
Special Revenue	293,123	267,105	26,018
Enterprise	922,471	877,572	44,899
Total	\$1,532,762	\$1,391,290	\$141,472

**VILLAGE OF OAK HILL
JACKSON COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$266,000	\$245,022	(\$20,978)
Special Revenue	226,585	253,731	27,146
Enterprise	658,000	930,653	272,653
Total	\$1,150,585	\$1,429,406	\$278,821

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$298,826	\$255,869	\$42,957
Special Revenue	229,118	257,101	(27,983)
Capital Projects	0	24,413	(24,413)
Enterprise	723,204	891,202	(167,998)
Total	\$1,251,148	\$1,428,585	(\$177,437)

The Village did not encumber all commitments required by Ohio law, as noted in Finding Number 2005-004 in the Schedule of Findings.

Also contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the State Highway, Cemetery, Fire, Permissive Sales Tax, School Sewer, Water Operating, Sewer Operating, Swimming Pool, Sewer Improvement and Sewer Replacement Trust Funds for the year ended December 31, 2004 and in the General, Fire, Street Light, Sewer Operating, Swimming Pool, Sewer Improvement and Trash Funds for the year ended December 31, 2005 as noted in Finding Number 2005-005 in the Schedule of Findings.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$485,390	2.20%
Ohio Public Works Commission	19,753	0.00%
Ohio Public Works Commission	21,244	0.00%
Oak Hill Banks Loan	321,707	5.25%
Total	\$848,094	

The Ohio Water Development Authority (OWDA) loan originated in July 1994 and relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,332,278 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$29,871, including interest, over 20 years. The scheduled payment amount below assumes that \$1,411,000 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission loan CT45B is an interest-free loan that was obtained for a water line replacement project. The loan originated in 1999 in the amount of \$56,438. The loan is collateralized by the water and sewer receipts. The Village will repay the loan in semiannual installments of \$2,822 over 10 years.

The Ohio Public Works Commission loan CO12E is an interest-free loan that was obtained for a water line replacement project. The loan originated in 2003 in the amount of \$28,325. The loan is collateralized by the water and sewer receipts. The Village will repay the loan in semiannual installments of \$1,416 over 10 years.

The Oak Hill Bank Loan was obtained in January 2002 in the amount of \$362,215 at 5.25% interest. The loan was for the purpose of paying the remaining principal and interest balances of the Farmers Home Administration loans outstanding in the prior year. The loan is collateralized by water and sewer receipts. The Village will repay the loan in monthly installments of \$2,596 over 18 years.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan	OPWC Loan CT45B	OPWC Loan CO12E	Oak Hill Bank Loan
2006	\$29,871	\$2,822	\$1,416	\$31,148
2007	59,742	5,644	2,833	31,148
2008	59,742	5,644	2,833	31,148
2009	59,742	5,644	2,833	31,148
2010	59,742		2,833	31,148
2011-2020	268,841		8,498	310,064
Total	\$537,680	\$19,754	\$21,246	\$465,804

**VILLAGE OF OAK HILL
JACKSON COUNTY**

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

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

Risk Pool Membership

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

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

7. RISK MANAGEMENT (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

**VILLAGE OF OAK HILL
JACKSON COUNTY**

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

7. RISK MANAGEMENT (Continued)

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Village's share of these unpaid claims is approximately \$65,064.

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. ACCOUNTING CHANGE

Due to reclassification of the trust funds to Special Revenue Fund type and the adjustments necessary for the reconciliation of the Village's accounting records to the bank as a result of the items noted in the Schedule of Findings, the fund cash balances were restated as follows:

	General Fund	Special Revenue	Enterprise	Expendable Trust	Nonexpendable Trust
Original fund cash balances stated, December 31, 2003	\$28,883	\$220,274	\$222,270	\$87,900	\$11,695
Prior Period Adjustment	\$5,102	\$100,683	\$313	(\$87,900)	(\$11,695)
Restated fund cash balances, January 1, 2004	\$33,985	\$320,957	\$222,583	\$0	\$0

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Oak Hill
Jackson County
415 North Front Street
Oak Hill, Ohio 45656

To the Village Council:

We have audited the financial statements of the Village of Oak Hill, Jackson County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 8, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2005-006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated November 8, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-005. In a separate letter to the Village's management dated November 8, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

November 8, 2006

**VILLAGE OF OAK HILL
JACKSON COUNTY**

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

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ordinance 2003-06 adopted by Village Council on November 12, 2003 established fees for services performed by the police department for the Village cemetery, water and sewer departments.

Section 1 of the ordinance states the cemetery, water and sewer departments of the Village of Oak Hill shall pay to the General Fund of the Village one hour for each of the two night shifts of the police department (two hours each day) based on three hundred sixty-five days per year, a total of 730 hours each year at a rate of \$13.00 per hour. It further states the yearly rate for each department shall be \$9,490 and the services to be performed by the police department shall be to secure the premises of each department, to protect each against vandalism and loitering, and whatever other services may become necessary.

Section 2 states that the ordinance was to go into effect on the first day of October 2003.

In 2004 the Cemetery Fund, the Water Operating Fund and the Sewer Operating Fund each paid \$7,908.30 to the General Fund for police protection services. This was discontinued in 2005 although the ordinance is still in effect.

Since it is within the police department's responsibility to protect each of these departments in the course of its duties to the Village, there is no legal authority to pay the police department from the aforementioned funds to do what it is already obligated to do. Therefore adjustments should be made against the General Fund in the amount of \$23,724.90 and in favor of the Cemetery Fund in the amount of \$7,908.30, the Water Operating Fund in the amount of \$7,908.30 and the Sewer Operating Fund in the amount of \$7,908.30. These amounts have been adjusted on the 2004 financial statements as well as the Village's accounting records.

In addition, Village Council should repeal Ordinance 2003-06 which allowed this practice since the practice has been discontinued. This Ordinance was repealed by the Village Council on September 12, 2006.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-002

Finding For Adjustment

Ohio Rev. Code § 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year and cash advances are subject to the following requirements, as outlined in Auditor of State Bulletin 97-003:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Village Council) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

In fiscal year 2004, advances in the amount of \$22,852.41 were not approved by Village Council. Of that amount, advances in the amount of \$2,129.61 from the Water Operating Fund to the Cemetery Fund were not repaid. In fiscal year 2005, an advance in the amount of \$12,000 from the Water Operating Fund to the General Fund was not approved by Village Council and was not repaid. There is no evidence that the creditor funds' purposes for these advances were consistent with the debtor funds' purposes. As a result of the lack of statutory authority for making these advances, these amounts have been adjusted on the 2004 and 2005 financial statements as well as the Village's accounting records.

At September 8, 2006, the General Fund balance was not sufficient to post an adjustment necessary to reimburse Fund 2011 Street Construction for an unallowable expenditure in 2005. This was for audit fees paid out of this fund. As a result, a finding for adjustment is hereby issued against the General Fund in the amount of \$1,200 and in favor of the Street Construction Fund. The unadjusted expenditure is included on the 2005 financial statements in the Special Revenue Fund Type.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-003

Finding For Recovery – Repaid Under Audit

Ohio Rev. Code § 2949.091 (A)(1) states that the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state into the general revenue fund. The court shall not waive the payment of the additional fifteen dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

Prior to September 26, 2003, the court costs noted above were \$11; however, they were raised to \$15 as a result of House Bill 95. The Mayor's Court was not aware the court costs had increased and did not raise the court fees. Mayor's Court was dissolved as of March 31, 2004.

From January to July 2004, the Mayor's Court had 31 cases in which it only collected and paid to the Treasurer of the State of Ohio the \$11 fee. Based on the change House Bill 95 made to Ohio Rev. Code Section 2949.091 (A)(1), the Mayor's Court should have collected an additional \$136 that is due to the State of Ohio to be deposited by the Treasurer of State into the General Revenue Fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due but not collected is hereby issued against Mayor Robert Jones in the amount of \$136 and in favor of the State of Ohio, General Revenue Fund.

The finding was paid by Robert Jones, former Mayor, on September 8, 2006 on receipt 3786 for \$136. The monies were remitted to the State of Ohio Treasurer's office by the Village on November 9, 2006, check number 6334.

VILLAGE OF OAK HILL
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-004

Noncompliance Citation

Ohio Rev. Code § 5705.41 (D)(1) prohibits orders or contracts involving the expenditure of money from being made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to this basic requirement, one of which is provided by Ohio Rev. Code Section 5705.41 (D)(1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

1987 Ohio Attorney General Opinion Number 87-069 provides the following exceptions to Ohio Revised Code Section 5705.41 (D):

1) Continuing Contracts to be Performed in Whole or in Part in an Ensuing Fiscal Year - Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified. (1987 Op. Atty. Gen. 87-069).

2) Per Unit Contracts - Where contracts are entered into on a per unit basis, only the amount estimated to become due in the current fiscal year need be certified. (1987 Op. Atty. Gen. 87-069).

3) Contract or Lease Running Beyond the Termination of the Fiscal Year Made - Pursuant to Section 5705.44, Ohio Rev. Code, where a contract or lease runs beyond the termination of the fiscal year in which it is made, only the amount of the obligation maturing in the current fiscal year need be certified. The remaining amount is a fixed charge required to be provided for in the subsequent fiscal year's appropriations.

VILLAGE OF OAK HILL
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-004 (Continued)

Noncompliance Citation - Ohio Rev. Code § 5705.41 (D)(1) (Continued)

1987 Op. Atty. Gen. No. 87-069 clarified the application of the exceptions set forth above. In summary, it indicated that:

If a government subject to Ohio Rev. Code § 5705.41 (D) enters into a continuing contract under which no goods or services will be delivered during the current fiscal year and payment will not be due until delivery, no amount need be certified as available during the current fiscal year. Pursuant to Ohio Rev. Code § 5705.44, the amount remaining unpaid at the end of a fiscal year to become due in the next fiscal year must be included in the annual appropriation measure for the next fiscal year as a fixed charge.

If under a continuing contract it cannot be determined whether delivery of goods or services and the obligation to make payment will take place in the current or an ensuing fiscal year, the total amount due under the contract must be certified as available during the current year.

If under a continuing contract delivery of goods or services is to occur in the current fiscal year with the obligation to make payment deferred until an ensuing fiscal year, the amount required to meet the obligation for goods or services delivered during the current fiscal year must be certified as available in that fiscal year.

If a government subject to Ohio Rev. Code § 5705.41 (D)(1) enters into a contract that is not a continuing contract, the total amount due under the contract must be certified as available in the fiscal year in which the contract is made, regardless of when delivery of goods or services will be made or when payment will become due.

Funds were not certified as available prior to purchase commitment being made for 76% of the transactions tested for 2004 and 71% of the transactions tested for 2005. The Village did not use any of the exceptions noted above. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village officials and employees obtain the Clerk's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Village incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Clerk should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-005

Noncompliance Citation

Ohio Rev. § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been properly appropriated.

The following line items had expenditures which exceeded appropriations at the legal level of control:

Fund	Appropriations	Disbursements	Amount Exceeded	Percentage Exceeded
December 31, 2004:				
State Highway	\$2,100	\$9,407	\$7,307	> 100%
Cemetery	\$65,715	\$82,107	\$16,392	24.9%
Fire	\$24,800	\$28,270	\$3,470	14%
Permissive Sales Tax	\$66,250	\$74,017	\$7,767	11.7%
School Sewer	\$0	\$24,413	\$24,413	> 100%
Water Operating	\$302,366	\$443,181	\$140,815	46.6%
Sewer Operating	\$244,943	\$266,392	\$21,449	8.7%
Swimming Pool	\$125	\$9,550	\$9,425	> 100%
Sewer Improvement	\$0	\$32,079	\$32,079	> 100%
Sewer Replacement Trust	\$0	\$9,354	\$9,354	> 100%
December 31, 2005:				
Fire	\$24,800	\$26,977	\$2,177	8.7%
Sewer Improvement	\$9,354	\$30,581	\$21,227	> 100%
Street Light	\$0	\$9,159	\$9,159	> 100%
Sewer Operating	\$257,834	\$281,808	\$23,974	9.3%
Swimming Pool	\$0	\$26,732	\$26,732	> 100%
Trash	\$142,278	\$162,646	\$20,368	14.3%
General	\$116,000	\$117,378	\$1,378	1.2%

The Village Clerk should deny payment requests exceeding appropriations. The Village Clerk may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

VILLAGE OF OAK HILL
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-006

Reportable Condition

When designing the Village's system of internal control and the specific control activities, management should consider verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.

The Village Clerk/Treasurer reconciled the book balance to the bank balance each month. However, these reconciliations were not accurate. The reconciliations contained numerous "other adjusting factors" without cause for the adjustment. The Auditor of State performed a proof of cash which involved taking the prior audit book balance and reconciling the Village account to determine where errors have occurred. In addition to miscellaneous typographical errors we noted the following:

- A memo expenditure in the amount of \$5,376.62 was entered into the system as check #2515 and was on the outstanding check list in 2004 and 2005.
- Bank charges were not posted to the books in 2004 and 2005.
- Interest revenue for May 2005 was not posted to the books.
- A deposit in July 2005 in the amount of \$2,840.69 was not posted to the books.
- Three deposits in August 2005 in the amount of \$34.00, \$185.75 and \$635.00 were not posted to the books.
- Duplicate receipts in the amount of \$125 were posted to the books in August 2005.
- A deposit in October 2005 in the amount of \$130.00 was not posted to the books.
- Duplicate receipts in the amount of \$2,614.56 were posted to the books in November 2005.
- Disbursement checks for 2006 in the amount of \$17,941.99 were posted to the books in 2005.

An "other adjusting factors" amount was entered into the system each month to appear to be in balance with the bank. However, the Village was never in balance with the bank during the audit period. This resulted in several errors going undetected and incorrect fund balances. The audited financial statements have been adjusted to correct the posting errors.

We recommend the Village Clerk/Treasurer perform monthly reconciliations using only actual outstanding checks and deposits in transit and investigate discrepancies. The "other adjusting factors" portion of the bank reconciliation should not normally be needed. If there are "other adjusting factors", the Village Clerk/Treasurer should maintain supporting documentation.

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF OAK HILL
JACKSON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Rev. Code § 5705.39, appropriations exceeded estimated revenue.	Yes	
2003-002	Ohio Rev. Code § 5705.41(D), failure to properly encumber funds prior to obligation	No	Not corrected. Reissued as finding 2005-004.



**Auditor of State
Betty Montgomery**

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VILLAGE OF OAK HILL

JACKSON 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
DECEMBER 12, 2006**